

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (1/11):**

BUTTER: Grade AA closed at \$1.4550. The weekly average for Grade AA is \$1.4575 (-.0394).

CHEESE: Barrels closed at \$1.6725 and 40# blocks at \$1.7200. The weekly average for barrels is \$1.6855 (-.0370) and blocks, \$1.7280 (-.0320).

BUTTER HIGHLIGHTS: Butter churning activity is characterized as “active”, “increased” or “above demand” in regions spanning the country this week. Cream offerings remain heavy and CME prices over the week are lower. Nevertheless, bulk butter through the week has ranged from 4-7 cents over market in the Northeast, 3-5 over in the Central region, and 3-5 cents under in the West. Butter is going into inventory – sometimes manufacturer’s inventory and sometimes into buyer’s inventory. Export interest has also improved, prompting some butter makers to focus on 82% butter production. According to the NASS *Dairy Products* report, November butter production for the U.S. totals 143.7 million pounds, down 6.0% or 9.1 million pounds from November of last year. Cumulative output through November for the U.S. is 1,684.3 million pounds, up 2.5% or 40.4 million pounds from the same period in 2011. The National Dairy Retail Report found that butter ads nationally declined in number 70.7% from two weeks ago but the weighted average advertised price increased 6.5% to \$2.93.

CHEESE HIGHLIGHTS: Spot cheese prices were weaker for the first full week of trading in 2013. Increased production over the holidays resulted in additional offers to the spot market. Barrel supplies are said to be long and buyers were willing to wait for lower prices to make additional purchases. Some of the additional block supplies were directed to the export market. The CWT program initiated their first assistance of the year with 1.4 million pounds of cheese accepted from 10 different sources. Some milk continues to be available for cheese production in the Midwest at below Class pricing. The additional production is also finding a home in increased interest from aging programs. The November Dairy Products report found total cheese production for the month at 911.6 million pounds, up 1.8% from the previous year. Cumulative production for the first eleven months was up 2.5% compared to 2011 production. Cheese featuring in retail print ads was reduced after the holidays according to the National Dairy Retail Report. Prices for the most heavily advertised category of 8 oz. shredded cheese packages were slightly higher in lighter featuring. Spot cheese prices at the CME Group this week were lower with buyers taking

advantage of lower prices when offered. Barrel cheese closed the week on Friday at \$1.6725, down 4.75 cents from last week. Blocks closed at \$1.7200, down 4 cents from last Friday’s close.

FLUID MILK: Milk production across the nation ranges from steady to increasing with the exception of Florida, which has experienced higher temperatures and humidity, lowering cow comfort levels and production. Manufacturing milk supplies are heaviest in the Northeast, but more manageable compared to the holiday period. Processing plants in the rest of the country are working on reduced schedules as yearend milk supplies are worked through and other fluid handlers and smaller processors have resumed normal intakes. Cream supplies range from ample to heavy with markets unsettled as the lingering effects of the holiday period continue in some areas. Cream demand is slow to build with excess cream keeping churns operating on increased schedules.

DRY PRODUCTS: Nonfat dry milk prices trended lower in the East and Central regions with Western prices unchanged to lower. Post-holiday production remains very active in the Eastern and Central regions, but slowing down in the West. Stocks are moderate to heavy, but not considered burdensome. Dry buttermilk prices are unchanged to lower in an unsettled market. Production remains active in the East and Central regions as cream volumes going to churns are ample to heavy. Western production runs are steady to lower. Stock levels are varied with some producers holding onto heavier than desired volumes. Dry whey prices are mixed in the East, mostly lower in the Central and steady to lower in the West. Increased production over the holiday period and slow end of year trading has increased available supplies. The Central region saw blocks of loads clearing at markedly lower prices compared to last week, while Western export loads were trading at the lower end of the range. Prices for whey protein concentrate 34% are steady. Demand is steady with production unchanged to lower. Prices for lactose were mixed. Spot load availability increased this week with prices varying widely and are commensurate with end user desired quality.

ORGANIC DAIRY MARKET NEWS (DMN): Looking back over the 2012 organic dairy ad survey results, the three categories with the greatest number of ads were milk, yogurt and butter, in that order. Organic milk ads dominated, with 60.5% of all organic dairy ads throughout 2012, followed by yogurt with 24.4% of ads and butter with 11.8% of ads. Within the overall organic milk category for 2012, 65.5% of ads were for half gallons, 26.4% for 8 ounce, and 3.6% for gallons.

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CME GROUP CASH TRADING

| COMMODITY | MONDAY JAN 07 | TUESDAY JAN 08 | WEDNESDAY JAN 09 | THURSDAY JAN 10 | FRIDAY JAN 11 | :: WEEKLY CHANGE* | :: WEEKLY AVERAGE# |
|-----------------|----------------------|----------------------|----------------------|----------------------|----------------------|-------------------------|----------------------------|
| CHEESE | | | | | | | |
| BARRELS | \$1.6900 (-.0300) | \$1.6900 (N.C.) | \$1.6900 (N.C.) | \$1.6850 (-.0050) | \$1.6725 (-.0125) | :: (-.0475) | :: \$1.6855 (-.0370) |
| 40# BLOCKS | \$1.7600 (N.C.) | \$1.7200 (-.0400) | \$1.7200 (N.C.) | \$1.7200 (N.C.) | \$1.7200 (N.C.) | :: (-.0400) | :: \$1.7280 (-.0320) |
| NONFAT DRY MILK | | | | | | | |
| EXTRA GRADE | \$1.5600 (N.C.) | \$1.5600 (N.C.) | \$1.5600 (N.C.) | \$1.5600 (N.C.) | \$1.5600 (N.C.) | :: (N.C.) | :: \$1.5600 (N.C.) |
| GRADE A | \$1.5575 (N.C.) | \$1.5575 (N.C.) | \$1.5475 (-.0100) | \$1.5350 (-.0125) | \$1.5350 (N.C.) | :: (-.0225) | :: \$1.5465 (-.0110) |
| BUTTER | | | | | | | |
| GRADE AA | \$1.4850 (-.0150) | \$1.4500 (-.0350) | \$1.4500 (N.C.) | \$1.4475 (-.0025) | \$1.4550 (+.0075) | :: (-.0450) | :: \$1.4575 (-.0394) |

CHEESE: carload = 40,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week.

Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/DAIRYMARKETNEWS.

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CONTINUED FROM PAGE 1**

Current organic dairy advertising volume is above the 2012 bi-weekly average, below the level two weeks ago, but that aside, is higher than any survey period since the beginning of October. Organic milk ads account for 64% of organic dairy ads, followed by organic yogurt, with 20%, organic butter with 15%, and organic ice cream with 1%. The national weighted average advertised price of organic milk half gallons, \$3.29, is 15 cents lower than two weeks ago. The price range is \$2.59 to \$4.99, increased 10 cents on the bottom of the price range and was unchanged on the top. The current national organic half gallon milk weighted average advertised price of \$3.29 compared with the weighted average advertised price for non-organic half gallons, \$2.30, yields an organic-conventional half-gallon milk advertised price spread of \$0.99, compared with \$0.49 two weeks ago. The 2012 average spread was \$1.24. The national weighted average advertised price of organic milk 8 ounce containers, \$0.91, is 9 cents lower than two weeks ago. While more often than not this product size is typically advertised at a price of \$1.00, lower price ads in the Northeast moved the national average lower. Organic yogurt ads appeared for 32 ounce organic yogurt as well as 4-6 ounce Greek yogurt. There were no ads for 4-6 ounce organic yogurt. Ads for Greek Yogurt in 4-6 ounce containers ranged from \$1.00 to \$1.50 in price, with a national weighted average advertised price of \$1.09.

WORLD DAIRY SITUATION (FAS): This past year has been a rollercoaster ride for dairy markets with international prices starting at relatively high levels, declining in mid-year, and then staging a modest comeback. Initially, the anticipation of a surge in milk production among major exporters fueled by high milk prices caused dairy product prices to decline sharply. In addition, the health of the global economy added uncertainty particularly as the EU economic crisis lingered as a major unresolved question. The price decline, however, was subsequently arrested as the severity of the developing drought in the United States became evident and concerns over available exportable supplies caused prices to post a cautious recovery. Currently, global dairy markets are in a stable phase with prices fluctuating within a narrow range but with no discernible direction as importers and exporters evaluate the future. Milk production in Oceania is expected to increase by 6 percent in 2012 over 2011 due to the combination of unusually favorable weather and excellent pasture conditions that prevailed during the season. However, for 2013, the forecast pegs milk production to grow by less than 1 percent. In the United States, milk output which is slated to grow by almost 2 percent in 2012, but is expected to remain virtually flat in 2013 as high feed prices have taken a toll on the financial health of dairy farmers. In the EU, milk production is forecast to grow by less than 1 percent. In sum, it appears that 2012 was an exceptional year but milk output in 2013 will revert back to a more normal pace.

OCTOBER MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA (AMS & CDFA): In October 2012, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$21.55 per cwt., up \$1.86 from the September 2012 corrected average, and up \$1.41 from the October 2011 average. The component tests of producer milk in October 2012 were: butterfat, 3.81%; protein, 3.17%; and other solids, 5.73%. On an individual reporting area basis, mailbox prices increased in all Federal milk order reporting areas from the previous month. Mailbox prices in October 2012 ranged from \$23.83 in Florida to \$19.39 in New Mexico.

2012 ANNOUNCED COOPERATIVE CLASS I PRICES (DAIRY PROGRAMS): For 2012, the all-city average announced cooperative Class I price was \$22.53 per cwt., \$2.45 higher than the Federal milk order Class I price average for these cities. The 2012 announced cooperative Class I price was \$1.76 lower than the 2011 price while the Federal Milk Order Class I price was \$1.69 lower. The 2012 difference was \$0.07 lower than the 2011 difference. Unlike 2011, the 2012 Annual Averages include the city of Wichita KS. On an individual city basis, the annual -1A-

average difference between the Federal order and announced cooperative Class I price ranged from \$0.50 in Phoenix, AZ, to \$4.24 in Miami, FL.

CME GROUP

MONDAY, JANUARY 7, 2013

CHEESE -- SALES: 2 CARS BARRELS: 1 @ \$1.6975, 1 @ \$1.6900; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.7000
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.4850; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.4850; LAST OFFER UNCOVERED: NONE

TUESDAY, JANUARY 8, 2013

CHEESE -- SALES: 5 CARS BARRELS: 2 @ \$1.6550, 1 @ \$1.6700, 1 @ \$1.6750, 1 @ \$1.6800; 1 CAR 40# BLOCKS @ \$1.7100; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.6900; 2 CARS 40# BLOCKS @ \$1.7200; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.7100
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.5575
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.4500; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.4800

WEDNESDAY, JANUARY 9, 2013

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: 1 CAR GRADE A @ \$1.5475; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

THURSDAY, JANUARY 10, 2013

CHEESE -- SALES: 6 CARS BARRELS: 4 @ \$1.6575, 1 @ \$1.6800, 1 @ \$1.6775; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.6850; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.6900
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.5100; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.5350
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.4475; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

FRIDAY, JANUARY 11, 2013

CHEESE -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$1.6725
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE A @ \$1.5200; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 3 CARS GRADE AA: 1 @ \$1.4500, 1 @ \$1.4525, 1 @ \$1.4550; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.4550; LAST OFFER UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The butter price on the CME Group declined \$0.0350 Tuesday and closed at \$1.4500. In the last 2 sessions the butter price has declined 5 cents. Cream supplies remain heavy, but down from the holiday period. A majority of the cream supply is headed to churns, keeping butter production at levels above demand and adding to inventories. Some butter makers anticipating the seasonal increase in cream supplies, were able to defer some butter orders until post-holiday and are filling those orders now. Domestic bulk butter orders have improved with increased interest coming from baking manufacturers. Export interest has also improved, prompting some butter makers to focus on 82% butter production. Current bulk butter prices range from 4-7 cents over the market based on the CME Group with various time frames and averages used.

DAIRY PRODUCTS: According to NASS, cumulative 2012 butter production through November was 2.5% above cumulative year production for the same period for 2011. November's monthly U.S. butter production totaled 143.7 million pounds, down 0.8% from October and 6.0% lower compared to November 2011. Atlantic region butter production in November totaled 12.1 million pounds, up 7.4% from October, but 2.5% less than November 2011.

CENTRAL

Some butter manufacturers are considering whether to place butter into storage for sale later in the year, rather than sell it now. Demand for butter is good but some manufacturers expect it may become better. Central region butter production is "active". Bulk butter is selling from 3 to 5 points over market. CME trading through Wednesday is down 5 cents, closing Wednesday at \$1.4500. The National Dairy Retail Report found that butter ads nationally declined 70.7% from two weeks ago but the weighted average advertised price increased 6.5% to \$2.93. The Midwest weighted average advertised price is \$2.55. NASS reports that

butter production for November was 144 million pounds, 6.0% below November 2011 and 0.8% below October 2012. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 2.519 million pounds (1,143 metric tons) of butter for delivery January through July 2013. These are the first CWT-assisted sales of the New Year.

WEST

Western butter prices continue to show weakness in the face of increased churning activity over the last two weeks. Heavy cream offerings were increasingly sent to butter churns with the higher production being put into inventory in many cases. Lower prices have increased demand from bulk butter users. Futures remain at a premium to spot prices and have helped to fuel demand. Retail sales have slowed with orders mostly limited to refill stocks. Prices for bulk butter range from 3 cents under to 5 cents under the market, based on the CME with various time frames and averages used. According to the NASS *Dairy Products* report, November butter production for the U.S. totals 143.7 million pounds, down 6.0% or 9.1 million pounds from November of last year. Cumulative output through November for the U.S. is 1,684.3 million pounds, up 2.5% or 40.4 million pounds from the same period in 2011. November output in the Western region totals 74.9 million pounds, down 4.6% or 3.7 million pounds less than November of 2011. The West produced 52.1% of the butter in the U.S. in November. Advertised U.S. butter prices from the National Dairy Retail Report showed a weighted average price of \$2.93 per pound compared to \$2.75 two weeks ago. As the new year begins, there was significantly lower featuring of butter. Wednesday's close on the CME Group exchange for butter is unchanged at \$1.4500. Prices are 5 cents lower from Friday's close on sales of one load both Monday and Tuesday. CME Group average price for December 2012 for butter is \$1.5590 compared to \$1.6119 for December 2011.

NATIONAL DAIRY PRODUCTS SALES REPORT

U.S. AVERAGES AND TOTAL POUNDS

| WEEK ENDING | BUTTER | CHEESE 40# BLOCKS | CHEESE BARRELS 38% MOISTURE | DRY WHEY | NDM |
|-----------------|-----------|-------------------|--------------------------------|-----------|------------|
| January 5, 2013 | 1.5344 | 1.7472 | 1.7032 | 0.6482 | 1.5766 |
| | 3,022,194 | 11,792,600 | 10,144,228 | 4,702,892 | 11,996,797 |

CHEESE MARKETS

NORTHEAST

Cheese prices on the CME Group were mixed Tuesday with barrels unchanged, closing at \$1.6900, while blocks declined 4 cents to close at \$1.7200. The decline in blocks regains the typical 3 cent spread between barrels and blocks. The CME weekly average prices for blocks and barrels increased raising wholesale prices for Process 5# cheese by 4 cents, while Cheddar 40# Blocks and Muenster increased by 2 cents. Swiss cuts declined by \$0.0225 as a result of Thursday's Class III price release. Milk volumes going to cheese plants remain fairly heavy with some plants running production 7 days a week. Current production is filling orders and adding to inventories with some plants moving increased volumes of cheese into their aging programs. Domestic demand has improved as promotions are beginning to increase ahead of the football playoffs leading up to the Super Bowl. Export interest has increased with the 30 day contract extension that averted a Longshoremen's strike on the East and Gulf coasts.

DAIRY PRODUCTS: According to the latest NASS report, total cheese production for November in New York was 64.5 million pounds, 5.2% less than October and 1.2% more than November, 2011. Pennsylvania produced 32.2 million pounds in November, 0.3% less than one month earlier and 8.0% less than one year ago. Vermont produced 11.4 million pounds, 4.7% less than last month, but 3.4% more than November 2011. The total of all cheese production for November in the Atlantic region was 117.4 million pounds, down 4.0% from October and 1.1% less compared to the same period last year. Atlantic region cheese production accounted for 12.9% of total U.S. production. Total U.S. cheese production in November totaled 911.6 million pounds, 1.8% less than October, but 1.8% more than November 2011. Cumulative 2012 U.S. Cheese production through November was 2.5% greater than comparable 2011 production. Focusing on Italian cheese, New York production in November totaled 29.8 million pounds, 8.7% less than October, but 1.1% more than November 2011. Pennsylvania produced 18.5 million pounds in November, 3.7% more than October, but 6.8% less than November 2011. The Atlantic region in October, produced 56.2 million pounds of Italian cheese, 4.7% less than October and 0.6% less than the same period last year.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

| | | |
|-----------------------------|---|---------------|
| Cheddar 40# Block | : | 2.1600-2.4450 |
| Process 5# Sliced | : | 1.9400-2.4200 |
| Muenster | : | 2.1800-2.5400 |
| Grade A Swiss Cuts 10 - 14# | : | 3.8375-4.1600 |

MIDWEST

Milk is readily available to cheesemakers at "decent prices", but not as much below class as the weeks prior to the end of last year. There is enough confidence in near future milk supplies that some manufacturers are now working on orders for export cheese that will be shipped soon. These export sales are also being pursued by cheese manufacturers because domestic cheese orders are more "sluggish" than had been expected, possibly because retailers are not fully confident about downside market risk. This week through Wednesday, Barrels are down 3 cents to \$1.6900 and Blocks down 4 cents to \$1.7200. The National Dairy Retail Report found a 37.0% decline in cheese advertising volume nationally compared with two weeks ago. For the two most advertised package sizes,

the weighted average advertised price increased. The most advertised package size nationally, 8 ounce shredded with 34.4% of ads, had a 6.5% average price increase to \$2.47 while the second most advertised size, 8 ounce blocks with 27.8%, had an 8.7% increase to \$2.49. In Midwest newspapers, 8 ounce block ads lead with 31.5%, followed by 8 ounce shredded at 30.9%. NASS reported late last week that total cumulative cheese production through November, 9.9 billion pounds, was up 2.5% from the same period of 2011. Cooperatives Working Together (CWT) has accepted 10 requests for export assistance to sell 1.358 million pounds (616 metric tons) of Cheddar and Monterey Jack cheese, for delivery January through July 2013. These are the first CWT-assisted sales of the New Year.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

| | | |
|---|---|---------------|
| Process American 5# Loaf | : | 1.9125-2.6175 |
| Brick And/Or Muenster 5# | : | 2.1475-2.7075 |
| Cheddar 40# Block | : | 2.1475-3.0200 |
| Monterey Jack 10# | : | 2.1175-3.0200 |
| Blue 5# | : | 2.4125-3.3975 |
| Mozzarella 5 - 6# (Low Moisture, Part Skim) | : | 1.9925-3.1200 |
| Grade A Swiss Cuts 6 - 9# | : | 3.3575-3.4750 |

WEST

Increased supplies of cheese are blamed for a turnaround in cheese prices. After two weeks of firmer prices, the market moved lower by midweek. Barrel supplies are said to be long and buyers looked for lower prices to motivate sales. Contacts indicate blocks followed the barrel price lower to maintain a 3 cent spread. The CWT program initiated their first price assistance of the year with export volumes of 1.4 million pounds to various eligible members. According to the NASS *Dairy Products* report, total cheese production in the U.S. in November reached 911.6 million pounds, up 1.8% or 15.9 million pounds from last year. Cumulative total cheese output for the U.S. through November is 9.9 billion pounds, up 2.5% or 242.5 million pounds from 2011. November total cheese production in the Western region was 380.1 million pounds, up 0.1% or 0.4 million pounds from November 2011. The West produced 41.7% of all the cheese in the U.S. in November. Swiss output for the U.S. in November is 24.9 million pounds, down 5.5% or 1.4 million pounds from last year. Advertised U.S. cheese prices as reported in the National Dairy Retail Report showed prices mixed. There was a decrease in the amount of featuring for cheese compared to the holiday period two weeks ago. The most heavily advertised category of 8 oz. shred cheese was 15 cents higher than two weeks ago on a weighted avg. price at \$2.47 per package. In the West, prices ranged from \$5.00-5.99 per package for the 2 pound block package. Cheese prices at the CME Group were unchanged on Wednesday. Barrels closed at \$1.6900 and blocks were unchanged at \$1.7200. Barrel prices opened the week 3 cents lower from last Friday with moderate trading of 7 loads in the first two days. Blocks were 4 cents lower on Tuesday with one sale reported. No sales were reported for either blocks or barrels on Wednesday. The CME Group monthly average price for December 2012

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CHEESE MARKETS

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for barrels is \$1.6634 compared to December 2011 at \$1.5839. Blocks averaged \$1.7448 for December 2012 compared to \$1.6170 for last year.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

| | | |
|---------------------------|---|---------------|
| Process 5# Loaf | : | 1.8475-2.1050 |
| Cheddar 40# Block | : | 1.8800-2.2325 |
| Cheddar 10# Cuts | : | 2.0600-2.2800 |
| Monterey Jack 10# | : | 2.0700-2.2300 |
| Grade A Swiss Cuts 6 - 9# | : | 3.4150-3.8450 |

WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKSBUTTER : CHEESE

| | | |
|----------|-------|-----------|
| | : | |
| 01/07/13 | 6,467 | : 117,286 |
| 01/01/13 | 5,499 | : 115,643 |
| CHANGE | 968 | : 1,643 |
| % CHANGE | 18 | : 1 |

FOREIGN

The weekly average CME Group block price increased again this week and raised domestic wholesale foreign type cheese prices by \$0.0200. Swiss cuts decreased \$0.0225 as a result of the Class III price released Thursday. Import cheese varieties were unchanged. Importers are very busy conducting yearend inventories and trying to schedule shipments during the 30 day extension period, agreed upon by the International Longshoremen's Union. Prior to the negotiation extension, numerous importers delayed shipments, due to the possibility of a strike. The chances for a contract agreement looks good, but until signed, importers are attempting to schedule their shipments prior to the contract deadline on February 6.

DAIRY PRODUCTS: According to the latest NASS report, domestic Parmesan production during November totaled 24.8 million pounds, 1.5% less than October and 4.9% less than November 2011. Provolone production during November totaled 28.9 million pounds, 6.7% less than October and 4.6% less than November 2011. Romano production during November totaled 3.4 million pounds, 4.3% less than October, but 2.6% more than November 2011. Swiss production during November totaled 24.9 million pounds, 7.6% less than October and 5.5% less than November 2011.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

| VARIETY | : | NEW YORK | |
|--------------------------|---|---------------|------------------|
| | : | IMPORTED | DOMESTIC |
| Blue | : | 2.6400-5.2200 | : 2.3000-3.7875* |
| Gorgonzola | : | 3.6900-6.1900 | : 2.8025-3.2575* |
| Parmesan (Italy) | : | -0- | : 3.6900-5.7800* |
| Provolone (Italy) | : | 3.4400-5.5800 | : 2.3425-2.5000* |
| Romano (Cows Milk) | : | -0- | : 3.4900-5.6400* |
| Sardo Romano (Argentine) | : | 2.8500-3.9800 | : -0- |
| Reggianito (Argentine) | : | 3.2900-4.2900 | : -0- |
| Jarlsberg-(Brand) | : | 2.9500-5.2900 | : -0- |
| Swiss Cuts Switzerland | : | -0- | : 3.9350-4.2575* |
| Swiss Cuts Finnish | : | 2.5900-2.8500 | : -0- |

* = Price change.

FLUID MILK AND CREAM

EAST

SPOT SHIPMENTS OF GRADE A MILK INTO OR OUT OF FLORIDA & SOUTHEASTERN STATES

| | THIS WEEK | | LAST WEEK | | LAST YEAR | |
|------------------|-----------|-----|-----------|-----|-----------|-----|
| | IN | OUT | IN | OUT | IN | OUT |
| FLORIDA | 0 | 57 | 0 | 188 | 0 | 70 |
| SOUTHEAST STATES | 0 | 0 | 0 | 0 | 0 | 0 |

Manufacturing milk supplies remain fairly heavy in the Northeast and Mid-Atlantic regions, but are declining from levels reached over the holiday period. Unloading delays experienced over the past two weeks are no longer occurring, because Class I demand is strong as bottling plants are refilling pipelines and resuming full production schedules. Other dairy manufacturers are also in the process of resuming production schedules following their holiday shutdowns. Milk production is picking up slowly with good component levels. Class I demand has come back stronger than expected in Florida with no one factor causing the increase, but some contacts have mentioned that stores are restocking heavier than last year, after the holidays. Weather has become a negative factor regarding milk production as highs in the mid 80's and lows in the high 60's are lowering cow comfort levels and milk production. Producers continue with supplemental hay feeding as many pastures are slow to regrow, due to dry conditions. The combination of strong Class I demand and a down turn in milk production resulted in only 57 spot loads being exported this week. Southeast milk supplies are nearly in balance with demand with very few loads being diverted to auxiliary manufacturing plants. Class I demand has returned to pre-holiday levels. Loads rejected due to high aflatoxin levels have declined, but are persistent in some areas and efforts continue to try to resolve the situation. Cream supplies continue to be heavy, but are more manageable as more cream based manufacturers are resuming production following holiday shutdowns. Nearly all carryover supplies, stemming from the holiday period, were processed early this week. Demand for cream remains weak with a majority of the supply headed to churns. Declines in the butter market this week have softened demand even further as some buyers hold off purchases, expecting lower prices next week. The more manageable supplies have improved multiples this week with fewer loads being shipped to the Midwest at significant discounts. Multiples ranged from 105-116. Condensed skim supplies remain fairly heavy with a majority of supplies going to Class IV production. Class II manufacturers are refilling their pipelines as they resume production following the holidays. Some spots sales of condensed skim were discounted in order to complete the sale. Thursday's release of the Class and Component prices saw a decline in the Class III skim milk price, which resulted in a decline in the Class III nonfat solids price. The Class III nonfat solids price is a major factor in determining Class III condensed skim prices and as a result of the decline, Class III condensed skim prices have declined. DAIRY PRODUCTS: According to NASS, ice Cream production in the Atlantic region for November totaled 10.9 million gallons, 20.7% less than October and 10.7% less than November 2011. U.S. Yogurt production (plain and flavored) for November totaled 324.5 million pounds, down 13.7% from October, but 3.3% more than for the same period last year. Cumulative 2012 production through November totaled 4,102.7 million pounds, 3.8% higher than through November 2011.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, DOLLARS PER LB. BUTTERFAT:

| | |
|--|---------------|
| F.O.B. producing plants: Northeast - | 1.5717-1.7364 |
| F.O.B. producing plants: Upper Midwest - | 1.6915-1.7663 |

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

| | |
|--|-------------|
| Northeast - Class II - includes monthly formula prices - | 1.54 - 1.61 |
| Northeast - Class III - spot prices - | 1.55 - 1.63 |

MIDWEST

Dairy cooperative managers, milk marketers and balancing plant operators state farm milk intakes in the North Central area continue to build steadily, well ahead of expectations at most locations. Cow comfort has been manageable in most areas and feed stocks are apparently adequate to support increasing milk production as well as gains in milk components. Some areas of the South Central received 3 or more inches of rain during the last week, helping refill reservoirs. Most processing plants returned to post holiday production schedules this week. Exceptions to that were caused by the abrupt closing of a fluid milk plant in Wisconsin, which generated milk handling issues. Drivers of milk tankers were reportedly turned away from the plant late last week, without explanation. Fluid milk suppliers to the plant scrambled to reroute milk away from that bottling plant, and other fluid operations stepped in to resupply bottled milk to customers of the closed plant. Reports later in the week indicate the fluid plant operator filed for bankruptcy. Other than that isolated occurrence, milk supplies are reportedly in balance. Spot milk prices returned to flat Class. Cream supplies remain ample within the region. Class II production on the side of whipping cream and dips pushed higher, to help rebuild inventories of storage products. Some ice cream plants also increased production to take advantage of current cream prices. Many churn operators report they are using internal cream supplies to rebuild bulk butter inventories. Cream multiples regained some points, ranging from 1.13 - 1.18. Some Western spot cream loads cleared into the Central region this week to find processing room. Demand for bulk butter is steady to higher as some commercial end users are buying ahead while wholesale butter prices are deemed a good value.

WEST

CALIFORNIA milk production trends are typically higher on a week-to-week basis with overall volumes trending below year ago levels. The effects of high input costs still remain strong concerns across the state. Despite milk pricing levels being more favorable, the overall environment is still affecting a majority of dairy producers. Industry sources indicate the producers are selling more cows and others are leaving the trade. Processing plants are working on reduced schedules as yearend milk supplies are worked through and other fluid handlers and smaller processors have resumed taking normal needs. With the milk supply smaller than in recent years and plants having few issues, the holiday milk volumes were processed smoothly. Currently, Class I demand is uneven. While most schools have resumed, many colleges are only trickling back to the spring term. Additionally, retail interest is sporadic.

CONTINUED ON PAGE 4A

FLUID MILK AND CREAM

CONTINUED FROM PAGE 4

ARIZONA milk output has flattened off a bit as cows in the state are at flush levels. There are expectations of higher trends yet. Cooler and wetter weather conditions are in the forecast. Milk intakes are being handled well with processing plants working better this week. Class I handlers are pulling more milk for school and retail needs. NEW MEXICO milk production is steady to slightly higher with gains noted over the prior month. Levels are still trailing the same time a year ago. Processors have cleaned up the last effects of the holidays and are returning to planned levels. Class I interest is slowly building. CREAM markets are unsettled. The lingering effects of the holiday period are present in some locations. Cream demand is slow to build and excess cream is moving to both area and out of region butter plants. Higher-class products are slow to resume output. Butter price for Grade AA at the CME Group closed at \$1.4500 on Wednesday, January 9, down 4.5 cents from a week earlier. Cream multiples moved higher on both ends of the 100 to 122 range, and vary depending on basing points and averages. Milk production in the PACIFIC NORTHWEST is mostly steady with seasonally cool, wet weather along the coastal areas. No significant problems with the handling of the milk supplies were reported for the first full week of the New Year. Class I demand is reported to be back to normal levels as more schools return after the holiday break. Milk supplies are being processed mostly within the region. UTAH and IDAHO milk production levels are also mostly steady. Cooler weather has not had any adverse effects on cow comfort and milk production in the region. Increased manufacturing demand from new facilities and some improved returns for milk, have dairy farmers looking at expansion plans. High feed costs for purchased feeds continue to weigh on those calculations. Good prices for cull cattle and moderate replacement heifer prices are all factors in determining future herd size.

NONFAT DRY MILK, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Central nonfat dry milk prices are slightly lower based on both adjustable contract prices and manufacturers' spot sales. Most Central balancing plants indicate farm milk intakes are increasing steadily. Some plants indicate same week intakes compared to one year ago range up to 5% higher. Sales of condensed skim into Class II moved slightly higher on the strength of New Year yogurt production as well as into ice cream facilities capitalizing on condensed skim spot availability as well as inexpensive cream. Class III demand for condensed skim is steady. Manufacturers report interest in NDM outside of contracts is light, with some buyers just incrementally filling near term need in case prices weaken. NDM production is very active in all Central plants. According to NASS, NDM production in the Central region totaled 21.4 million pounds during November 2012, 25.0% more than one month ago, and 59.3% more than one year ago. Cumulative nonfat dry milk production for 2012 in the Central region totals 231.7 million pounds, 63.5% higher compared to 2011 production during the same time span. The December 2012 Dairy Market News average of the mostly price series for Central and East nonfat dry milk, low/medium heat, was \$1.5678 compared to \$1.5493 one month ago and \$1.4475 in December 2011. The December 2012 Dairy Market News average of the range price series for Central and East nonfat dry milk, high heat, was \$1.6629 compared to \$1.6280 one month ago and \$1.5820 in December 2011.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows production of human food NONFAT DRY MILK during November 2012 totaled 115.7 million pounds, up 21.7% from October 2012 production but 3.8% lower than November 2011. Cumulative nonfat dry milk production for 2012 totals 1,623.3 million pounds, 19% higher than 2011 production during the same time span. Month ending stocks, at 126.7 million pounds, are 21.4% higher than a month ago, but 13.0% lower than one year ago. November 2012 production of SKIM MILK POWDERS, which includes protein standardized and blended product, totaled 44.7 million pounds, 2.0% less than one month ago but 13.0% more than one year ago. Cumulative 2012 skim milk powder production totals 337.6 million pounds, a 17.6% decrease in production compared to production during the same time span in 2011.

EAST: Prices for both high and low heat nonfat dry milk declined this week as sales based on various price indices moved the upper end of the price ranges lower. Production of nonfat dry milk, though down from the holiday period, remains heavy with a few drying operations remaining at near capacity levels. Other dryer managers with lower milk volumes are switching production to high heat or specialty production runs. Current production is mostly adding to inventories. Demand is weak as numerous buyers are holding off spot purchases and some contract loads, expecting prices to move lower. Their expectations are supported by weaker prices on a few spot load sales and lower prices for export loads from other regions.

DAIRY PRODUCTS ATLANTIC REGION - The latest NASS Dairy Products report indicates nonfat dry milk production for November in the Atlantic region totaled 12.2 million pounds, 10.6% of the nation's total. The Atlantic region production was 39.7% more than one year ago and 59.3% more than the previous month.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUM HEAT: 1.5000 - 1.6200 MOSTLY: 1.5200 - 1.6100
HIGH HEAT: 1.6300 - 1.6575

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk mostly prices are unchanged this week. The market tone is mixed. There are discounted pricing levels taking place as producers clear some of their holdings accumulated over the yearend. Other pricing based off indices has been gyrating during the past two weeks and an upwards trend is developing as the most current prices broke through the recent high. Additional sales were made at the lower levels to clear the books. Those volumes are not being replicated. Pricing levels for contracts are mostly in place and are mostly along expected overages against a variety of basing points and indices. Buyers are taking positions to have supply contracts to satisfy 2013 needs. Overall production trends are slowing down after the yearend output surge to process milk and components. Stocks are moderate to heavy, yet producers are stating they are comfortable. High heat prices are mixed for the range. Buying interest is resuming after a holiday lull. Production patterns are sporadic with some processors able to devote dryer time to high heat after weeks of just making low heat to maximize throughput. Producers' holdings are light.

DAIRY PRODUCTS: U.S. NDM production in November 2012 totaled 115.7 million pounds, 3.8% less than a year earlier. YTD cumulative NDM output through November totals 1.62 billion pounds, up 19.0% or 259.1 million pounds from a year earlier. NDM production in the West region in November totaled 82.0 million pounds, down 16.4% from last year. The West produced 71% of the U.S. total in November. U.S. manufacturers' stocks of NDM at the end of November were 126.7 million pounds, 13.0% lower than a year earlier but 21.4% more than October 2012. U.S. skim milk powder (SMP) production in November totaled 44.7 million pounds, 13.0% more than last year but 2.0% less than October. YTD cumulative SMP output through November totals 337.6 million pounds, down 17.6% or 71.9 million pounds from a year earlier.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: 1.5100 - 1.5800 MOSTLY: 1.5200 - 1.5550
HIGH HEAT: 1.5450 - 1.6550

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Central dry buttermilk prices are lower and higher on a mixed market. Buyer interest is reportedly slow to move off square one as production of dip and baking mixes is seasonally slower. Various butter/buttermilk manufacturers report current cream multiples do not offer much incentive to sell cream on the spot market, thus churning and dry buttermilk production are clearing butterfat and nonfat solids intakes. Sales of condensed buttermilk into ice cream facilities are regaining volumes slowly. Dry buttermilk inventories are building steadily. The December 2012 Dairy Market News average of the range price series for Central and East dry buttermilk was \$1.5955 compared to \$1.6108 one month ago and \$1.3545 in December 2011.

CONTINUED ON PAGE 5A

NONFAT DRY MILK, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

CONTINUED FROM PAGE 5**DRY BUTTERMILK - CENTRAL AND EAST (continued)**

DAIRY PRODUCTS: NASS *Dairy Products* reports production of dry buttermilk during November 2012 totaled 8.7 million pounds, 1.1% more than one month ago and 0.8% more than production one year ago. Cumulative 2012 dry buttermilk production totals 97.6 million pounds, 8.7% more than during the same time span of 2011. Month ending stocks of dry buttermilk, at 13.1 million pounds, are 32.0% higher than one month ago and 10.8% higher than one year ago.

EAST: Prices for dry buttermilk were mixed this week as sales based on various price indices moved the upper end of the range lower, but spot sales did not receive the discounts seen last week, which moved the low end range higher. Production of dry buttermilk continues at increased levels as post-holiday cream volumes remain heavy with most of the supply headed to churns. Current production is moving through contracts and adding significantly to inventories. Demand has weakened as numerous buyers view the increasing supplies as pressuring the market lower and are waiting for prices to move lower, prior to purchasing. Ice cream and baking interest demand remains low following the holidays. Declines in the nonfat dry milk market are also contributing to the downward trend. The market undertone remains weak.

F.O.B. CENTRAL/EAST: 1.5300 - 1.6500

DRY BUTTERMILK - WEST

Western dry buttermilk prices are unchanged for both the range and mostly price series. The market tone is steady to unsettled. Demand is light to fair, but interest is slow to resume. Production runs are steady to lower as the workload coming off the churns slows and returns to more balanced levels in the region. Stock levels are varied with some producers holding onto heavier than desired volumes, whereas others are in better shape.

DAIRY PRODUCTS: Buttermilk powder production in November 2012 for the U.S. totals 8.7 million pounds, up 0.8% from November 2011. Buttermilk stocks at the end of November were 13.1 million pounds, 10.8% higher than a year earlier, and 32.0% more than a month earlier.

F.O.B. WEST: 1.4100 - 1.5300 MOSTLY: 1.4500 - 1.5100

DAIRY PRODUCTS: NASS's Dairy Products report shows dry whole milk production during November 2012 totaled 5.3 million pounds, down 3.4% from October 2012 and 0.5% lower than November 2011. Cumulative 2012 production totals 54.2 million pounds, a 12.2% decrease from 2011 production during the same time period. Month ending stocks, at 6.3 million pounds, are 10.2% higher than one month ago and 15.4% higher than one year ago.

F.O.B. PRODUCING PLANT: 1.7500 - 1.8500

CALIFORNIA MANUFACTURING PLANTS - NDM

| WEEK ENDING | PRICE | TOTAL SALES | SALES TO CCC |
|-------------|----------|-------------|--------------|
| January 4 | \$1.5435 | 3,872,417 | 0 |
| December 28 | \$1.5013 | 18,799,127 | 0 |

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY WHOLE MILK - NATIONAL

Dry whole milk prices moved higher and lower as new contract prices activate for the week and/or month. Spot market activity is light. A few manufacturers indicate they have modest inventories above contract commitments as a result of strong holiday milk intakes. Current dry whole milk production is intermittent. The December 2012 Dairy Market News average of the range price series for dry whole milk was \$1.7900 compared to \$1.7917 one month ago and \$1.8414 in December 2011.

WHEY, WPC 34%, LACTOSE & CASEIN

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Central dry whey prices are mostly lower for the week, and the market tone is weaker. Market participants indicate the availability of spot loads of dry whey from Central manufacturers increased sharply this week, with some F.O.B. offers of blocks of loads clearing at markedly lower prices compared to last week. Several resellers indicate current index based pricing is not workable for many domestic or international resale markets. Dry whey inventories at several Central manufacturers are above near term contract fulfillment needs, and represents active cheese and dry whey production during December. Resellers' inventories, in many cases, are also above current needs and necessitate some price adjustment to maintain sales activity. ANIMAL FEED DRY WHEY prices are fractionally higher, based on index pricing sales. Interest is light to steady, with end users scouting for lower priced options where possible. The December 2012 Dairy Market News average of the mostly price series for Central dry whey was \$0.6410 compared to \$0.6254 one month ago and \$0.6439 in December 2011. Human food dry whey production during November 2012 in the Central region totaled 34.1 million pounds. This dry whey production is 3.8% lower than one month ago, and 7.4% lower than one year ago. Cumulative 2012 human food dry whey production in the Central region totals 415.78 million pounds, 1.3% lower than 2011 production during the same time span. The December 2012 Dairy Market News average of the range price series for ANIMAL FEED Central milk replacer dry whey was \$0.5528 compared to \$0.5345 one month ago and \$0.5522 in December 2011.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows production of HUMAN FOOD dry whey during November 2012 totaled 68.2 million pounds, 5.3% lower than October 2012 and 5.9% lower than production 1 year ago. November ending stocks of HUMAN FOOD dry whey totaled 36.3 million pounds, 2.3% less than 1 month ago and 3.2% less than one year ago. Production of ANIMAL FEED dry whey during November 2012 totaled 3.3 million pounds, 10.4% less than one month ago and 35.5% less than the production of November 2011. ANIMAL FEED dry whey month ending stocks totaled 2.7 million pounds, 1.7% more than one month ago but 30.7% less than the stocks of one year ago.

F.O.B. CENTRAL: .5500 - .7100 MOSTLY: .6000 - .6600
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .4800 - .6425

DRY WHEY - NORTHEAST

Dry whey prices were mixed this week with spots sales lowering the low end of the range, while sales based on various price indices raised the upper end of the range. Dry whey production is increasing as milk volumes going to cheese vats have increased following the holidays. Production is moving through contracts and adding to inventories. Some whey manufacturers have discounted spot sales in order to better manage their inventories. Demand has weakened as many buyers are only purchasing for immediate needs or holding off purchases altogether in hopes that expanding inventory levels will lower prices. Export interests are looking for significant price discounts prior to purchasing. Some resale activity has been noted in the high \$0.50's to low \$0.60's, giving the market a weak undertone. The December 2012 Dairy Market News average of the price series for Northeast dry whey was \$0.6828 compared to \$0.6699 one month ago and \$0.6668 in December 2011.

DAIRY PRODUCTS: The latest NASS Dairy Products report shows production of dry whey for human consumption for the nation in November, totaled 68.2 million lbs. The Atlantic region totaled 19.2 million pounds, or 28.1% of the nation's total.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .6200 - .7275

DRY WHEY - WEST

Western dry whey prices are steady to lower. The weakness is exhibited on the upper reaches of both the range and mostly series. New contract pricing was evident for many domestic prices. Export prices are trading at the lower end of range. Increased production over the holiday period, along with slow end of year, trading have increased available supplies. Demand for whey is moderate with some brokers reporting increased inventories. Overall stocks of whey continue to run below year ago, due to increased production of concentrated whey protein products. According to the NASS Dairy Products report, edible U.S. whey production in November totals 68.2 million pounds, down 5.9% (-4.3 million pounds) from last year. The Western region produced 14.9 million pounds of whey in November, down 5.5% (-0.9 million pounds) from last year. The West produced 21.8% of the whey in the U.S. in November. Cumulative U.S. total dry whey production for the first eleven months of the year is 918.6 million pounds, down 0.9% or 8.4 million pounds from the same period in 2011. Manufacturers' stocks at the end of November for edible whey are 36.3 million pounds, down 3.2% from last year. The December 2012 Dairy Market News monthly average price for Western dry whey range was \$0.6184 compared to \$0.6565 for December 2011; the Western dry whey mostly series averaged \$.6328 compared to \$.6656 a year ago.

NONHYGROSCOPIC: .5400 - .6775 MOSTLY: .6000 - .6500

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices for whey protein concentrate 34% are steady. According to some participants, this market still offers cost effective value on a cost per unit of protein basis, when compared to dry whey and nonfat dry milk. Interest is steady. Production is unchanged to lower at a few plants where milk intakes returned to non-holiday week volumes. Sales of condensed WPC 34% are steady to higher, with active demand from producers of other dry whey protein concentrate products and steady from established snack industry accounts. Manufacturers' inventories are uneven. One or two plants indicate contract shipments are slightly delayed. Other producers indicate some spot loads are available. The December 2012 Dairy Market News average of the mostly price series for whey protein concentrate 34% Central and West was \$1.2483 compared to \$1.2358 one month ago and \$1.4600 in December 2011.

DAIRY PRODUCTS: The NASS *Dairy Products* report shows production of HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) during November 2012 totaled 19.1 million pounds, 4.7% less than one month ago, and 7.8% lower than production of one year ago. Cumulative WPC 34% HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) production for 2012 totals 218.6

CONTINUED ON PAGE 6A

WHEY, WPC 34%, LACTOSE & CASEIN

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

CONTINUED FROM PAGE 6

million pounds, about even with 2011 production during the same time span. Manufacturers' end-of-month stocks of HUMAN AND ANIMAL WPC (25.0 – 49.9% PROTEIN) totaled 26.7 million pounds, 17.5% less than October 2012 but 26.9% more than the stocks of November 2011.

F.O.B. EXTRA GRADE 34% PROTEIN:1.2300 - 1.3300 MOSTLY:1.2450 - 1.2800

LACTOSE - CENTRAL AND WEST

Lactose prices on the range series moved lower and higher as a response to additional Q1 contract pricing information. The lactose mostly is lower and higher as index contracts activate this week. The availability of manufacturers' spot loads to the marketplace increased this week. Prices on these spot loads vary widely and are commensurate with end user-desired quality characteristics. Several market participants continue to emphasize they handled Q1 contracting differently compared to other quarters. Several buyers based a part of their contracting strategy on analysis of U.S. lactose exports to Oceania in Q4 of 2012. Some lactose end users anticipated the marked drop in lactose demand from Oceania would translate into carry over lactose volumes at manufacturers for Q1 this year. Other lactose end users contracted Q1 lactose volumes on both fixed prices and on market adjustable prices. Some end users decreased overall lactose contract volumes due to lower demand for some of their finished products. In contrast, a few manufacturers indicate initial contract volumes with Southeast Asia buyers are increasing compared to 2012. Domestic and international sales into end uses such as confectionary and infant formula are building incrementally. Lactose production is unchanged for the week. Inventories are steady to building. The December 2012 Dairy Market News average of the mostly price series for Central and West lactose was \$0.7718, compared to \$0.7850 one month ago. The average price one year ago was \$0.7684.

DAIRY PRODUCTS: NASS's *Dairy Products* report shows HUMAN and ANIMAL lactose production during November 2012 decreased 2.9% compared to October 2012 to 80.5 million pounds but decreased 1.5% compared to November 2011 production. Cumulative 2012 lactose production totals 942.2 million pounds, 2.9% more than during the same time span in 2011. Month ending stocks, at 87.4 million pounds, are 1.7% lower than one month ago but 33.2% higher than one year ago.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL.6500 -.9200 MOSTLY: .6800 - .8000

CASEIN - NATIONAL

Prices are being adjusted higher on the bottom end of the rennet type casein range. Quarter 1 contract prices are being included and replacing some lower prices done in Quarter 4 of 2012. Availability of both types is adequate to service accounts. Spot interest is very limited and untested.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

| | |
|---------|-----------------|
| RENNET: | 3.9000 - 4.4000 |
| ACID: | 4.5000 - 4.7500 |

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS EFFECTIVE NOVEMBER 1, 2009

BUTTER Bulk \$1.05 per pound; CHEESE 40# Blocks \$1.13 per pound; 500# Barrels \$1.10; NONFAT DRY MILK \$.80 per pound

The CCC Purchase table will no longer be shown unless purchases occur. Last CCC purchase: October 2009.

U.S. Dairy Cow Slaughter (000 head) under Federal Inspection & Comparable Week 2011

| WEEK ENDING | WEEKLY DAIRY COWS | 2012 CUMULATIVE DAIRY COWS | 2011 WEEKLY DAIRY COWS | 2011 CUMULATIVE DAIRY COWS |
|-------------|----------------------|-------------------------------|---------------------------|-------------------------------|
| 12/22/2012 | 67.5 | 3,048.9 | 59.6 | 2,913.9 |

WEBSITE: http://www.ams.usda.gov/mnreports/sj_ls714.txt

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES (3.5% BF)

| YEAR | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2008 | 19.32 | 17.03 | 18.00 | 16.76 | 18.18 | 20.25 | 18.24 | 17.32 | 16.28 | 17.06 | 15.51 | 15.28 |
| 2009 | 10.78 | 9.31 | 10.44 | 10.78 | 9.84 | 9.97 | 9.97 | 11.20 | 12.11 | 12.82 | 14.08 | 14.98 |
| 2010 | 14.50 | 14.28 | 12.78 | 12.92 | 13.38 | 13.62 | 13.74 | 15.18 | 16.26 | 16.94 | 15.44 | 13.83 |
| 2011 | 13.48 | 17.00 | 19.40 | 16.87 | 16.52 | 19.11 | 21.39 | 21.67 | 19.07 | 18.03 | 19.07 | 18.77 |

CLASS IV MILK PRICES (3.5% BF)

| YEAR | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2008 | 16.29 | 14.67 | 14.17 | 14.56 | 15.26 | 15.92 | 16.60 | 16.64 | 15.45 | 13.62 | 12.25 | 10.35 |
| 2009 | 9.59 | 9.45 | 9.64 | 9.82 | 10.14 | 10.22 | 10.15 | 10.38 | 11.15 | 11.86 | 13.25 | 15.01 |
| 2010 | 13.85 | 12.90 | 12.92 | 13.73 | 15.29 | 15.45 | 15.75 | 15.61 | 16.76 | 17.15 | 16.68 | 15.03 |
| 2011 | 16.42 | 18.40 | 19.41 | 19.78 | 20.29 | 21.05 | 20.33 | 20.14 | 19.53 | 18.41 | 17.87 | 16.87 |

FEDERAL MILK ORDER CLASS PRICES FOR 2012 (3.5%)

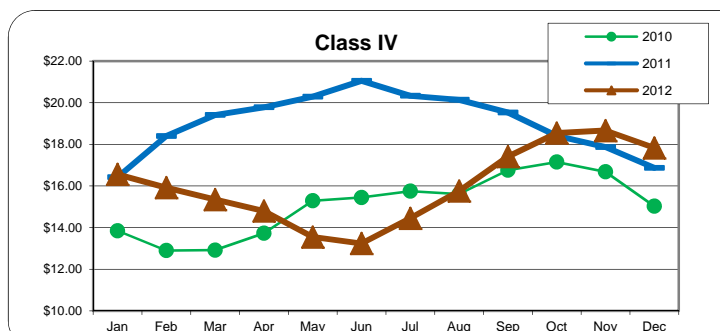
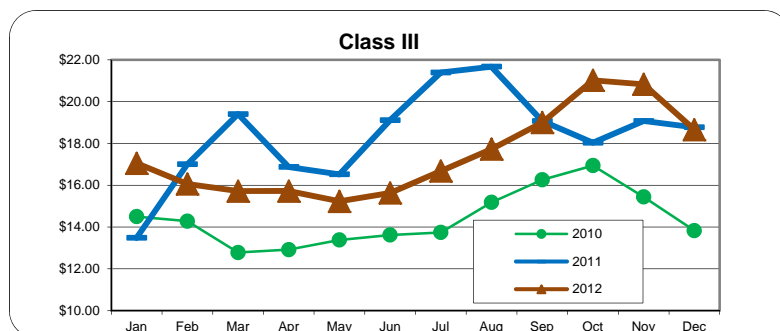
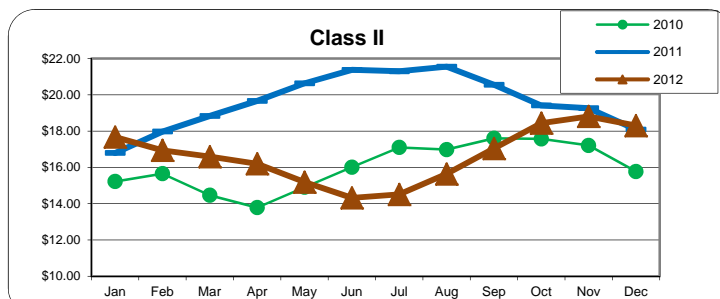
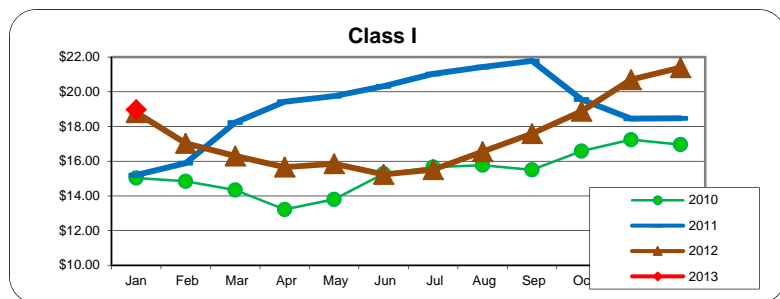
| CLASS | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| I 1/ | 18.80 | 17.03 | 16.30 | 15.66 | 15.85 | 15.24 | 15.51 | 16.55 | 17.59 | 18.88 | 20.70 | 21.39 |
| II | 17.67 | 16.94 | 16.59 | 16.20 | 15.19 | 14.32 | 14.51 | 15.64 | 17.04 | 18.44 | 18.81 | 18.30 |
| III | 17.05 | 16.06 | 15.72 | 15.72 | 15.23 | 15.63 | 16.68 | 17.73 | 19.00 | 21.02 | 20.83 | 18.66 |
| IV | 16.56 | 15.92 | 15.35 | 14.80 | 13.55 | 13.24 | 14.45 | 15.76 | 17.41 | 18.54 | 18.66 | 17.83 |

FEDERAL MILK ORDER CLASS PRICES FOR 2013 (3.5%)

| CLASS | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|-------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| I 1/ | 18.97 | | | | | | | | | | | |
| II | | | | | | | | | | | | |
| III | | | | | | | | | | | | |
| IV | | | | | | | | | | | | |

1/ Specific order differentials to be added to this base price can be found by going to:

www.ams.usda.gov/DairyMarketingStatistics; then select "Prices"; and then select "Principal Pricing Points."

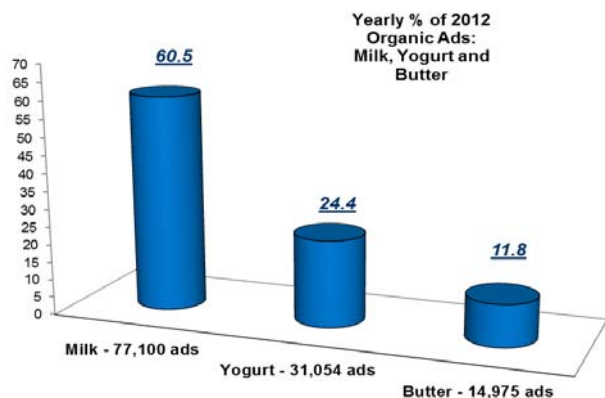


ORGANIC DAIRY MARKET NEWS

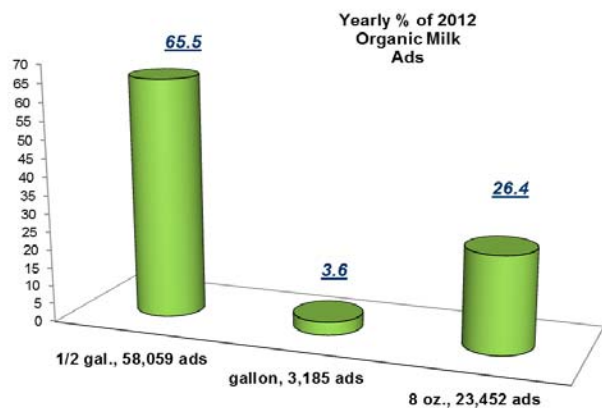
Information gathered December 31 ,2012 - January 11, 2013

ORGANIC DAIRY FLUID OVERVIEW

End of year look-back: Looking back over the **2012 organic dairy ad survey results**, the three categories with the greatest number of ads were milk, yogurt and butter, in that order. Organic milk ads dominated, with 60.5% of all organic dairy ads throughout 2012, followed by yogurt with 24.4% of ads and butter with 11.8% of ads.

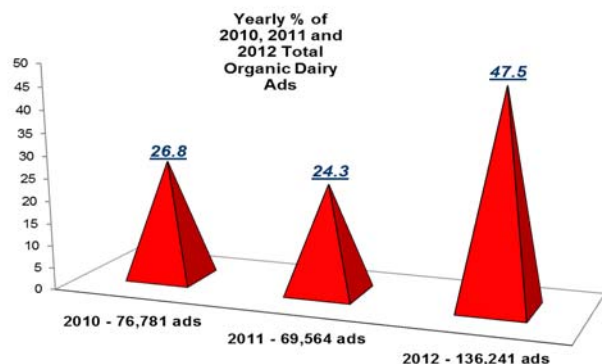


Within the **overall organic milk category for 2012**, 65.5% of ads were for half gallons, 26.4% for 8 ounce, and 3.6% for gallons.

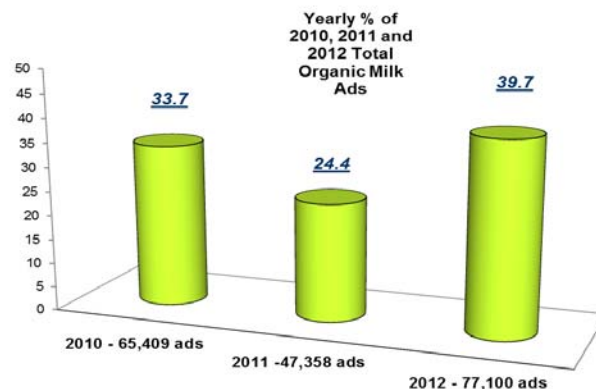


Comparing the last **3 years of overall organic dairy advertising**, 2012 had the greatest number of ads. Looking at total ads over the three years, 26.8% occurred in 2010, then there was a dip to 24.3% in 2011 before the increase to 47.5% in 2012.

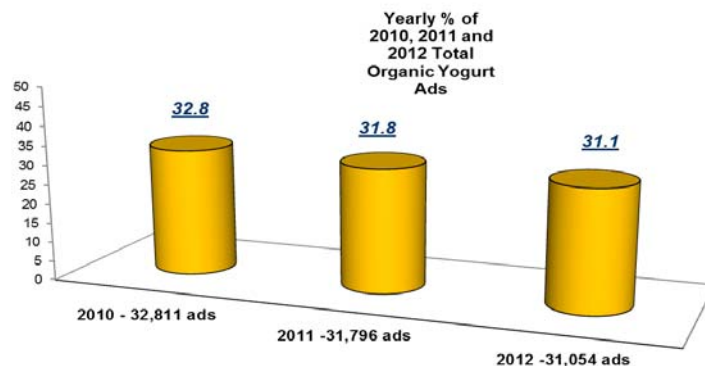
Only **organic milk and ads** followed the pattern of dipping slightly in 2011 before increasing in 2012 when examining the



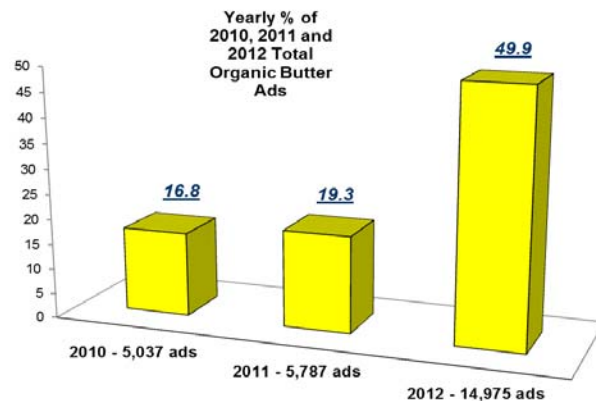
cumulative three year span. Looking at 2010, 2011 and 2012, 33.7% of organic milk ads for the period ran in 2010, 24.4% in 2011 and 39.7% in 2012.



Organic yogurt ads for 2010 were 32.8% of the three year total, 31.8% in 2011 and 31.1% in 2012.



Only **organic butter** showed consistent growth in ad numbers over the three years, with 16.8% of ads in 2010, 19.3% in 2011 and 49.9% in 2012.



CONTINUED ON PAGE 8-A

ORGANIC DAIRY MARKET NEWS

Information gathered December 31, 2012 - January 11, 2013

CONTINUED FROM PAGE 8

ORGANIC DAIRY RETAIL OVERVIEW

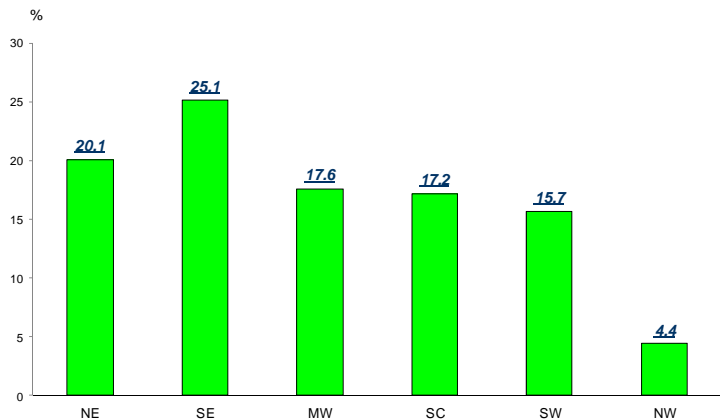
NATIONALLY ADVERTISED PRICE COMPARISON

Organic Dairy Overview. Organic dairy advertising volume is above the 2012 bi-weekly average, below the level two weeks ago, but that aside, is higher than any survey period since the beginning of October. Organic milk ads account for 64% of organic dairy ads, followed by organic yogurt, with 20%, organic butter with 15%, and organic ice cream with 1%.

Advertising information presented is compiled from nearly 16,000 surveyed newspaper supermarket ads for the period December 29, 2012, to January 11, 2012, identifying weekly "specials" and containing organic dairy content. Surveyed ads reflect advertised "specials" and not the range of non-advertised supermarket cooler prices.

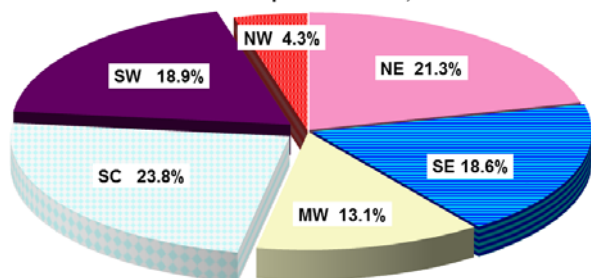
Regional Organic Dairy Ad Trends. The regions continue to be more evenly balanced in percentage of national ads than in recent reports. Regional percentages include the Southeast, 25.1%; the Northeast, 20.1%; the Midwest, 17.6%; the South Central, 17.2%; the Southwest, 15.7%; and Northwest, 4.4%.

**Organic Dairy Ads Regionally As A
Percentage of Surveyed Organic Dairy Ads
Week 02, 2013**



Organic Milk. The South Central region narrowly leads all regions with 23.8% of organic milk ads. This is followed by the Northeast with 21.3%; Southwest with 18.9%; Southeast with 18.6%; Midwest, 13.1%; and Northwest, 4.3%.

**ORGANIC MILK FEATURES
Regional % of Nationally Surveyed Supermarket Ads
Report - Week 02, 2013**

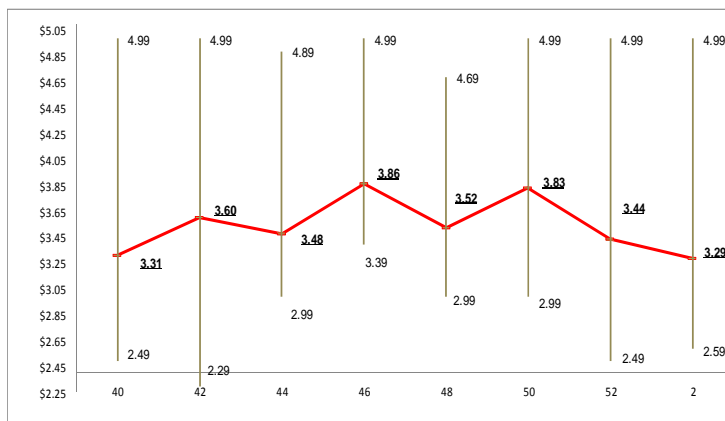


The vast majority of the organic milk ads, 73.6%, are for half

gallons, with 19% for 8 ounce containers and 7.4% for gallons.

Organic Milk Half Gallons. The national weighted average advertised price of organic milk half gallons, \$3.29, is 15 cents lower than two weeks ago. The price range is \$2.59 to \$4.99, increased 10 cents on the bottom of the price range and was unchanged on the top. This period, the concentration of advertised organic half gallon brands was more heavily weighted toward store brands than national brands by a factor greater than 3 to 1. Store brands had the lowest price in the price range and national brands the highest. The weighted average advertised price for national brands is \$3.92 and for store brands, \$3.10.

**Advertised Organic Milk Half Gallon Price Range and
Weighted Average Advertised Price by 2012 - 2013 Week**



**ORGANIC MILK HALF GALLON ADS
REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE**

| REGION | % | WTD. AV. ADV. PRICE \$ |
|--------|------|------------------------|
| NE | 07.8 | 3.59 |
| SE | 16.4 | 3.22 |
| MW | 16.8 | 2.97 |
| SC | 27.5 | 3.49 |
| SW | 25.7 | 3.32 |
| NW | 05.8 | 2.99 |
| US | | 3.29 |

Organic - Conventional Milk Half Gallon Price Spread. The current national organic half gallon milk weighted average advertised price of \$3.29 compared with the weighted average advertised price for non-organic half gallons, \$2.30, yields an organic-conventional half-gallon milk advertised price spread of \$0.99, compared with \$0.49 two weeks ago. The 2012 average spread was \$1.24.

Organic Milk 8 Ounce. The national weighted average advertised price of organic milk 8 ounce containers, \$0.91, is 9 cents lower than two weeks ago. While more often than not this product size is typically advertised at a price of \$1.00, lower price ads in the Northeast moved the national average lower.

**ORGANIC MILK 8 OUNCE ADS
REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE**

| REGION | % | WTD. AV. ADV. PRICE \$ |
|--------|------|------------------------|
| NE | 55.3 | 0.83 |
| SE | 22.1 | 1.00 |
| MW | 03.9 | 1.00 |
| SC | 18.7 | 1.00 |
| SW | 00.0 | ---- |
| NW | 00.0 | ---- |
| US | | 0.91 |

CONTINUED ON PAGE 8-B

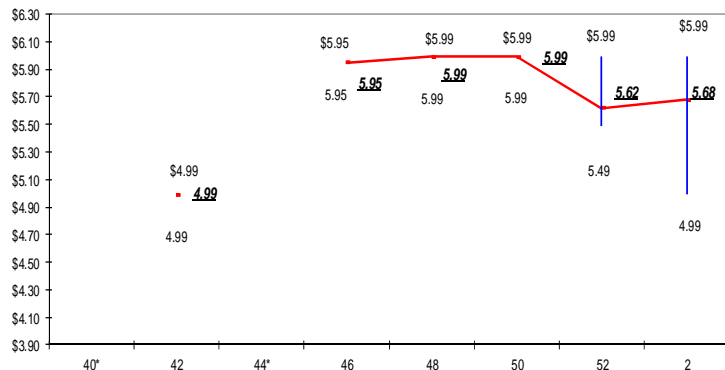
ORGANIC DAIRY MARKET NEWS

Information gathered December 31, 2012 - January 11, 2013

CONTINUED FROM PAGE 8-A

Organic Milk Gallons. Ads for organic gallons appeared in 2 of the 6 regions, the Northeast (68.7%) and the Southeast (31.3%). The national weighted average advertised price for organic gallons, \$5.68, is 6 cents higher than two weeks ago.

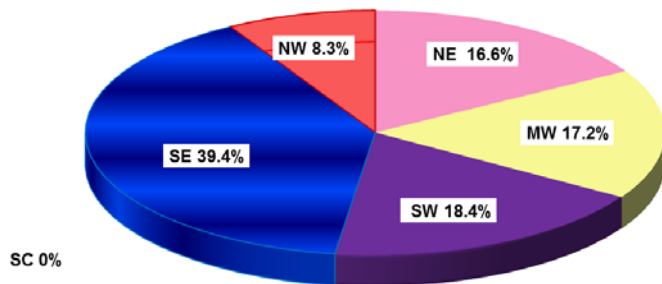
Advertised Organic Milk Gallon Range and Weighted Average Advertised Price by 2012 - 2013 Week*



*THERE WERE NO ADS FOR WEEKS 40 AND 44

Organic Yogurt. Organic yogurt ads appeared for 32 ounce organic yogurt as well as 4-6 ounce Greek yogurt. There were no ads for 4-6 ounce organic yogurt. The Southeast has the greatest percentage of ads, 39.4%, followed by the Southwest, 18.4%; Midwest, 17.2%; Northeast, 16.6%; and Northwest, 8.3%. The majority of ads are for 4-6 ounce organic Greek yogurt.

ORGANIC YOGURT FEATURES
Regional % of Surveyed National Newspaper Ads
Report Week 02, 2013



4-6 Ounce Organic Greek Yogurt. Ads for Greek Yogurt in 4-6 ounce containers ranged from \$1.00 to \$1.50 in price, with a national weighted average advertised price of \$1.09.

32 Ounce Organic Yogurt. Ads for organic yogurt in 32 ounce containers were all priced \$2.99, resulting in a national weighted average price of \$2.99.

1 Pound Organic Butter. Organic butter ads occurred in four of the six regions. The weighted average advertised price is \$4.07, up from \$4.01 two weeks ago. Prices ranged from \$3.99 to \$4.49.

1 POUND ORGANIC BUTTER ADS**REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE**

| REGION | % | WTD. AV. ADV. PRICE \$ |
|--------|------|------------------------|
| NE | 21.4 | 4.29 |
| SE | 36.2 | 3.99 |
| MW | 38.5 | 3.99 |
| SC | 03.9 | 4.49 |
| SW | 00.0 | ---- |
| NW | 00.0 | ---- |
| US | | 4.07 |

The lowest price for organic butter, \$3.49, is 50 cents below the highest price for conventional butter this period.

Organic Ice Cream. Ads for organic ice cream in 48-64 ounce containers appeared only in the South Central region. All prices were \$6.89.

SUPERMARKET PRICE COMPARISON:

Madison, Wisconsin Prices. Non-advertised organic milk, yogurt, butter and cheese prices in a range of food stores in Madison, Wisconsin are compared for this two week period. Stores included a big-box sized local supermarket; 2 regional chain supermarkets; a smaller but full product line food market; and 2 natural food stores; a national discount big box chain store also selling food; and a large local cooperative grocery store. Organic milk available included 2 national brands, 4 private label store brands, and 3 small local or near-by creamery brands, one featuring non-homogenized milk. Cheese available included 2 national brands, 2 store brands, and cheese from 5 other cheese makers.

INFORMATION GATHERED 12/31/2012 - 01/11/2013

ORGANIC MILK, YOGURT, CHEESE, BUTTER PRICE RANGE
2013 REPORTING WEEK 02

MADISON, WISCONSIN
LOW HIGH RANGE
(in Dollars)

FLUID MILK**MILK - gallon**

| | | | |
|------------------|------|------|------|
| Whole | 5.59 | 6.79 | 1.20 |
| Reduced fat (2%) | 5.59 | 6.79 | 1.20 |
| Low fat (1%) | 5.59 | 6.79 | 1.20 |
| Nonfat (Skim) | 5.59 | 6.79 | 1.20 |

MILK - half gallon

| | | | |
|------------------|-------|------|-------|
| Whole | 3.79* | 4.89 | 1.10* |
| Reduced fat (2%) | 3.79* | 4.89 | 1.10* |
| Low fat (1%) | 3.79* | 4.89 | 1.10* |
| Nonfat (Skim) | 3.79* | 4.89 | 1.10* |

FLAVMILK - half gallon

| | | | |
|---------------|------|------|------|
| All fat tests | 3.09 | 5.69 | 2.60 |
|---------------|------|------|------|

YOGURT

Yogurt - 4-6 oz
Yogurt

| | | | |
|--|-----|------|------|
| | .79 | 1.29 | 0.50 |
|--|-----|------|------|

CONTINUED ON PAGE 8-C

ORGANIC DAIRY MARKET NEWS

Information gathered December 31 ,2012 - January 11, 2013

CONTINUED FROM PAGE 8-B

| | LOW | HIGH | RANGE |
|-----------------------------|-------|------|-------|
| CHEESE | | | |
| Cheese - 8 oz block | | | |
| Mozzarella | 3.40 | 5.75 | 2.35 |
| Mild Cheddar | 3.79 | 5.99 | 2.20 |
| Monterey Jack | 3.79 | 5.99 | 2.20 |
| Pepper Jack | 3.89 | 5.99 | 2.10 |
| Cheese - 6 oz string | | | |
| Mozzarella | 3.99 | 5.09 | 1.10 |
| Colby Jack | 3.89 | 4.99 | 1.10 |
| BUTTER | | | |
| Butter - 1 Pound | 3.99* | 6.19 | 2.20* |

* = Price change from prior reporting period.

ORGANIC GRAIN AND FEEDSTUFF MARKETS:

Compared to four weeks ago: Overall trading this period was slow. Price levels on all grains were mostly steady to weak. Demand from feed mills for spot delivery product was light as most of their needs have been filled. However, demand for second and third quarter delivery remains good, but sellers continue to be hesitant to commit at a price. A majority of the movement remains to be contracted product, with very little spot negotiated product trading. Alfalfa hay in California Supreme grade is \$280.00; Good grade \$265.00-275.00; Fair \$240.00. Oregon Alfalfa large square Good/Premium is \$265.00.

Additional livestock and grain market news information is available at: www.ams.usda.gov/LSMarketNews

2012 MONTHLY AVERAGES

| AREA and PRODUCT | : | JAN | : | FEB | : | MAR | : | APR | : | MAY | : | JUN | : | JUL | : | AUG | : | SEP | : | OCT | : | NOV | : | DEC | : | ANNUAL AVERAGES* | |
|-------------------------------------|---|--------|---|--------|---|--------|---|--------|---|--------|---|--------|---|--------|---|--------|---|--------|---|--------|---|--------|---|--------|---|---------------------|--|
| <hr/> | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CME GROUP | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| BUTTER - DAILY TRADING | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| GRADE AA | | 1.5831 | | 1.4273 | | 1.4895 | | 1.4136 | | 1.3531 | | 1.4774 | | 1.5831 | | 1.7687 | | 1.8803 | | 1.9086 | | 1.7910 | | 1.5590 | | 1.6029 | |
| CHEESE - DAILY TRADING | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| BARRELS | | 1.5358 | | 1.4823 | | 1.5152 | | 1.4524 | | 1.4701 | | 1.5871 | | 1.6826 | | 1.7889 | | 1.8780 | | 2.0240 | | 1.8388 | | 1.6634 | | 1.6599 | |
| 40# BLOCKS | | 1.5546 | | 1.4793 | | 1.5193 | | 1.5039 | | 1.5234 | | 1.6313 | | 1.6855 | | 1.8262 | | 1.9245 | | 2.0757 | | 1.9073 | | 1.7448 | | 1.6980 | |
| NONFAT DRY MILK - DAILY TRADING | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EXTRA GRADE | | 1.4740 | | 1.3011 | | 1.2602 | | 1.1828 | | 1.0900 | | 1.1510 | | 1.2302 | | 1.5226 | | 1.6345 | | 1.6024 | | 1.5600 | | 1.5600 | | 1.3807 | |
| GRADE A | | 1.4430 | | 1.3209 | | 1.2698 | | 1.2058 | | 1.1373 | | 1.2143 | | 1.2986 | | 1.5622 | | 1.6895 | | 1.6030 | | 1.5660 | | 1.5575 | | 1.4056 | |
| CHEESE | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| WISCONSIN | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PROCESS AMERICAN 5# LOAF | | 2.1371 | | 2.1023 | | 2.0809 | | 2.0028 | | 2.0013 | | 2.0921 | | 2.2211 | | 2.3062 | | 2.3611 | | 2.5617 | | 2.4380 | | 2.2228 | | 2.2106 | |
| BRICK AND/OR MUENSTER 5# | | 2.2571 | | 2.2163 | | 2.2046 | | 2.1640 | | 2.1831 | | 2.2831 | | 2.3388 | | 2.4671 | | 2.5409 | | 2.7376 | | 2.6390 | | 2.4318 | | 2.3720 | |
| CHEDDAR 40# BLOCKS | | 2.4696 | | 2.4288 | | 2.4171 | | 2.3765 | | 2.3956 | | 2.4956 | | 2.5513 | | 2.6796 | | 2.7534 | | 2.9501 | | 2.8515 | | 2.5880 | | 2.5798 | |
| MONTEREY JACK 10# | | 2.4546 | | 2.4138 | | 2.4021 | | 2.3615 | | 2.3806 | | 2.4806 | | 2.5363 | | 2.6646 | | 2.7384 | | 2.9351 | | 2.8365 | | 2.5730 | | 2.5648 | |
| BLUE 5# | | 2.7346 | | 2.6938 | | 2.6821 | | 2.6415 | | 2.6606 | | 2.7606 | | 2.8163 | | 2.9446 | | 3.0184 | | 3.2151 | | 3.1165 | | 2.9093 | | 2.8495 | |
| MOZZARELLA 5 - 6# | | 2.4421 | | 2.4013 | | 2.3896 | | 2.3490 | | 2.3681 | | 2.4681 | | 2.5238 | | 2.6521 | | 2.7259 | | 2.9226 | | 2.8240 | | 2.5605 | | 2.5523 | |
| GRADE A SWISS CUTS 6 - 9# | | 3.1888 | | 3.1739 | | 3.0383 | | 2.8638 | | 2.8310 | | 2.8238 | | 2.7888 | | 2.8296 | | 2.9438 | | 3.0365 | | 3.1949 | | 3.3813 | | 3.0079 | |
| NORTHEAST | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CHEDDAR 40# BLOCKS | | 2.0498 | | 2.0326 | | 2.0615 | | 2.0390 | | 2.0581 | | 2.1581 | | 2.2138 | | 2.3421 | | 2.4159 | | 2.6126 | | 2.5140 | | 2.3068 | | 2.2337 | |
| PROCESS 5# SLICED | | 1.7608 | | 1.7660 | | 1.7993 | | 1.7375 | | 1.7363 | | 1.8271 | | 1.9561 | | 2.0412 | | 2.0961 | | 2.2967 | | 2.1730 | | 1.9578 | | 1.9290 | |
| MUENSTER | | 2.0971 | | 2.0901 | | 2.1190 | | 2.0965 | | 2.1156 | | 2.2156 | | 2.2713 | | 2.3996 | | 2.4734 | | 2.6701 | | 2.5715 | | 2.3643 | | 2.2903 | |
| GRADE A SWISS CUTS 10 - 14# | | 3.7988 | | 3.7690 | | 3.5865 | | 3.4563 | | 3.4235 | | 3.4163 | | 3.3717 | | 3.4004 | | 3.5263 | | 3.6190 | | 3.7774 | | 3.9638 | | 3.5924 | |
| WEST | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PROCESS 5# LOAF | | 1.8104 | | 1.7408 | | 1.7731 | | 1.7113 | | 1.7100 | | 1.8009 | | 1.9298 | | 2.0149 | | 2.0698 | | 2.2714 | | 2.1492 | | 1.9340 | | 1.9096 | |
| CHEDDAR 40# BLOCKS | | 1.8699 | | 1.7889 | | 1.8177 | | 1.7953 | | 1.8164 | | 1.9168 | | 1.9726 | | 2.1008 | | 2.1728 | | 2.3705 | | 2.2686 | | 2.0605 | | 1.9959 | |
| CHEDDAR 10# CUTS | | 1.9837 | | 1.9026 | | 1.9315 | | 1.9090 | | 1.9301 | | 2.0306 | | 2.0863 | | 2.2146 | | 2.2866 | | 2.4842 | | 2.3824 | | 2.1743 | | 2.1097 | |
| MONTEREY JACK 10# | | 1.9637 | | 1.8826 | | 1.9115 | | 1.8890 | | 1.9101 | | 2.0106 | | 2.0663 | | 2.1946 | | 2.2666 | | 2.4642 | | 2.3624 | | 2.1543 | | 2.0897 | |
| GRADE A SWISS CUTS 6 - 9# | | 3.4300 | | 3.4003 | | 3.2177 | | 3.0875 | | 3.0548 | | 3.0475 | | 3.0030 | | 3.0316 | | 3.1575 | | 3.2502 | | 3.4087 | | 3.5950 | | 3.2237 | |
| FLUID PRODUCTS | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CLASS II CREAM | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| NORTHEAST - F.O.B. | | 1.8848 | | 1.7170 | | 1.8392 | | 1.7265 | | 1.6454 | | 2.0078 | | 2.1785 | | 2.5700 | | 2.4631 | | 2.4441 | | 2.3300 | | 1.7182 | | 2.0437 | |
| UPPER MIDWEST - F.O.B. | | 1.8579 | | 1.6714 | | 1.8059 | | 1.7272 | | 1.6308 | | 1.9402 | | 2.1258 | | 2.3571 | | 2.3765 | | 2.4185 | | 2.2379 | | 1.7383 | | 1.9906 | |
| CONDENSED SKIM - NORTHEAST - F.O.B. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CLASS II | | 1.4950 | | 1.4680 | | 1.4368 | | 1.2750 | | 1.2189 | | 1.1955 | | 1.1707 | | 1.2348 | | 1.3742 | | 1.4620 | | 1.5007 | | 1.5268 | | 1.3632 | |
| CLASS III | | 1.6200 | | 1.4628 | | 1.3827 | | 1.2060 | | 1.1741 | | 1.3171 | | 1.3450 | | 1.3911 | | 1.4650 | | 1.5268 | | 1.7124 | | 1.6968 | | 1.4417 | |

2012 MONTHLY AVERAGES

| AREA and PRODUCT | : JAN | : FEB | : MAR | : APR | : MAY | : JUN | : JUL | : AUG | : SEP | : OCT | : NOV | : DEC | ANNUAL : AVERAGES* |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------------------|
| <hr/> | | | | | | | | | | | | | |
| DRY PRODUCTS | | | | | | | | | | | | | |
| NONFAT DRY MILK | | | | | | | | | | | | | |
| CENTRAL/EAST - LOW/MEDIUM HEAT | 1.4344 | 1.3760 | 1.3077 | 1.2267 | 1.1748 | 1.2039 | 1.2758 | 1.4312 | 1.5963 | 1.5555 | 1.5458 | 1.5666 | 1.3912 |
| -- MOSTLY | 1.4302 | 1.3805 | 1.3050 | 1.2319 | 1.1702 | 1.1973 | 1.2377 | 1.4020 | 1.5339 | 1.5411 | 1.5493 | 1.5678 | 1.3789 |
| CENTRAL/EAST - HIGH HEAT | 1.5243 | 1.4869 | 1.4216 | 1.3524 | 1.2655 | 1.2676 | 1.3383 | 1.4655 | 1.6818 | 1.6355 | 1.6280 | 1.6629 | 1.4775 |
| WEST - LOW/MEDIUM HEAT | 1.3670 | 1.3376 | 1.2785 | 1.2186 | 1.1230 | 1.1733 | 1.2141 | 1.3770 | 1.5157 | 1.4973 | 1.5163 | 1.5458 | 1.3470 |
| -- MOSTLY | 1.3840 | 1.3380 | 1.2768 | 1.2145 | 1.1074 | 1.1552 | 1.2198 | 1.3589 | 1.5087 | 1.4957 | 1.5129 | 1.5326 | 1.3420 |
| WEST - HIGH HEAT | 1.4616 | 1.4463 | 1.3860 | 1.3315 | 1.2398 | 1.2149 | 1.2633 | 1.3567 | 1.5487 | 1.5500 | 1.5613 | 1.5778 | 1.4115 |
| WHEY POWDER | | | | | | | | | | | | | |
| CENTRAL - | 0.7160 | 0.6672 | 0.5273 | 0.4639 | 0.4602 | 0.4814 | 0.4795 | 0.5221 | 0.5751 | 0.6003 | 0.6299 | 0.6318 | 0.5629 |
| -- MOSTLY | 0.7048 | 0.6961 | 0.6224 | 0.5446 | 0.4956 | 0.4769 | 0.4895 | 0.5218 | 0.5755 | 0.5963 | 0.6254 | 0.6410 | 0.5825 |
| WEST - | 0.6954 | 0.5836 | 0.4675 | 0.4604 | 0.4498 | 0.4894 | 0.5035 | 0.5553 | 0.5979 | 0.6134 | 0.6221 | 0.6184 | 0.5547 |
| -- MOSTLY | 0.7039 | 0.6402 | 0.5379 | 0.5085 | 0.4931 | 0.4843 | 0.5020 | 0.5514 | 0.5955 | 0.6139 | 0.6271 | 0.6328 | 0.5742 |
| NORTHEAST - EXTRA AND GRADE A | 0.7318 | 0.7221 | 0.6357 | 0.6039 | 0.5644 | 0.5188 | 0.5279 | 0.5597 | 0.6070 | 0.6436 | 0.6699 | 0.6828 | 0.6223 |
| WHEY PROTEIN CONCENTRATE | | | | | | | | | | | | | |
| CENTRAL AND WEST | 1.5915 | 1.5784 | 1.4923 | 1.3785 | 1.2137 | 1.1389 | 1.1188 | 1.1653 | 1.2236 | 1.2559 | 1.2517 | 1.2588 | 1.3056 |
| -- MOSTLY | 1.5239 | 1.5271 | 1.5091 | 1.4195 | 1.3010 | 1.1977 | 1.1401 | 1.1272 | 1.1862 | 1.2283 | 1.2358 | 1.2483 | 1.3037 |
| ANIMAL FEED | | | | | | | | | | | | | |
| CENTRAL - MILK REPLACER | 0.5902 | 0.5971 | 0.5323 | 0.4650 | 0.4269 | 0.4202 | 0.4208 | 0.4479 | 0.4876 | 0.5107 | 0.5345 | 0.5528 | 0.4988 |
| DRY BUTTERMILK | | | | | | | | | | | | | |
| CENTRAL/EAST | 1.3338 | 1.3071 | 1.2757 | 1.1939 | 1.0328 | 1.0411 | 1.1279 | 1.2818 | 1.4032 | 1.5532 | 1.6108 | 1.5955 | 1.3131 |
| WEST | 1.3129 | 1.2820 | 1.2306 | 1.1500 | 1.0633 | 1.0552 | 1.1231 | 1.2372 | 1.4196 | 1.4695 | 1.4829 | 1.4985 | 1.2771 |
| -- MOSTLY | 1.3345 | 1.2884 | 1.2410 | 1.1586 | 1.0624 | 1.0443 | 1.1202 | 1.2113 | 1.3747 | 1.4495 | 1.4661 | 1.4894 | 1.2700 |
| DRY WHOLE MILK | | | | | | | | | | | | | |
| NATIONAL | 1.7650 | 1.6933 | 1.6234 | 1.5480 | 1.4602 | 1.4400 | 1.4550 | 1.5450 | 1.6324 | 1.7323 | 1.7917 | 1.7900 | 1.6230 |
| LACTOSE | | | | | | | | | | | | | |
| CENTRAL AND WEST | 0.8736 | 0.8894 | 0.8811 | 0.9227 | 0.9264 | 0.8882 | 0.8562 | 0.8250 | 0.8081 | 0.7807 | 0.8138 | 0.7309 | 0.8497 |
| -- MOSTLY | 0.8552 | 0.8600 | 0.8600 | 0.9126 | 0.9100 | 0.8783 | 0.8383 | 0.8261 | 0.8250 | 0.7850 | 0.7850 | 0.7718 | 0.8423 |
| CASEIN | | | | | | | | | | | | | |
| RENNET | 4.7500 | 4.6600 | 4.6000 | 4.4917 | 4.3250 | 4.3250 | 4.0750 | 4.0750 | 4.0750 | 4.0500 | 4.0500 | 4.0525 | 4.2941 |
| ACID | 5.0188 | 4.9600 | 4.9600 | 4.7429 | 4.6000 | 4.6000 | 4.4250 | 4.4250 | 4.4908 | 4.5886 | 4.6000 | 4.6013 | 4.6677 |

*Annual Averages are the simple averages of the 12 monthly averages.

WORLD DAIRY SITUATION AND OUTLOOK*Dairy: World Markets and Trade, USDA, Foreign Agricultural Service, December 2012*

Highlights - China's phenomenal growth as an importer of dry milk products is expected to continue as imports of whole milk powder (WMP) and skimmed milk powder (SMP) are forecast to grow by 12 percent and 18 percent, respectively in 2013. The increase in imports of SMP has been particularly notable with imports in 2012 through October reported at 147,000 tons - up nearly 49 percent in comparison to the same period last year. Import growths of other commodities such as dried whey products, cheese, and butterfat have also been scoring impressive gains. While New Zealand has been the primary beneficiary, the United States has a strong foothold in the SMP, dry whey, and to a lesser extent the cheese import markets. U.S. cheese exports to China in 2012 through October currently total almost 8,000 tons; up 43 percent in comparison to the same time span in 2011.

Summary- This past year has been a rollercoaster ride for dairy markets with international prices starting at relatively high levels, declining in mid-year, and then staging a modest comeback. Initially, the anticipation of a surge in milk production among major exporters fueled by high milk prices caused dairy product prices to decline sharply. In addition, the health of the global economy added uncertainty particularly as the EU economic crisis lingered as a major unresolved question. The price decline, however, was subsequently arrested as the severity of the developing drought in the United States became evident and concerns over available exportable supplies caused prices to post a cautious recovery.

Currently, global dairy markets are in a stable phase with prices fluctuating within a narrow range but with no discernible direction as importers and exporters evaluate the future. Milk production in Oceania is expected to increase by 6 percent in 2012 over 2011 due to the combination of unusually favorable weather and excellent pasture conditions that prevailed during the season. However, for 2013, the forecast pegs milk production to grow by less than 1 percent. In the United States, milk output which is slated to grow by almost 2 percent in 2012, but is expected to remain virtually flat in 2013 as high feed prices have taken a toll on the financial health of dairy farmers. In the EU, milk production is forecast to grow by less than 1 percent. In sum, it appears that 2012 was an exceptional year but milk output in 2013 will revert back to a more normal pace.

This means that for 2013 the availability of exportable supplies to global markets will likely grow but not by the amounts experienced during the past two years. China will be a key player in determining the health of global dairy markets given its demand for an ever-growing share of dairy supplies. China's appetite for imported dairy products shows no sign of abating with imports of milk powder products in 2013 set to jump by 14 percent to about 640,000 tons. Further, there are signs that imports of other dairy products such as cheese and butterfat, although currently relatively minor, are starting to ramp-up.

From an economic perspective the financial situation in the EU will continue to be seen as having a major bearing on global situation in 2013. Although the Eurozone is expected to experience a mild recovery in 2013 following a recession in 2012, the fiscal situation remains precarious. Nevertheless, the global outlook is fairly positive with global GDP expected to post a growth rate of 2.5 percent compared to the 2.2 percent forecast for 2012. In the key Asian markets, the picture is somewhat mixed but China's GDP is expected to register a growth rate of 8.1 percent – up from the estimated 7.5 percent in 2012. This suggests that China's import demand for dairy products will likely continue to strengthen as the middle class expands and concerns about the domestic regulatory system persists. In the America's, Mexico – a key U.S. dairy market – is forecast to remain relatively strong which bodes well for sales of U.S. SMP and cheese.

Prices - In terms of international dairy prices, the outlook for 2013 points to a period of relative stability in the first half of the year as world markets absorb the substantial volumes generated by Oceania's increased production during the 2012 southern hemisphere spring flush season. However, there are currently no significant surplus stocks in the United States or the EU to buffer markets. Consequently, global economic and population growth are expected to keep driving import demand which could put upward pressure on dairy prices particularly towards the second half of 2013.

Source: U.S. Department of Agriculture. Foreign Agricultural Service. *Dairy: World Markets and Trade, December 2012*. <http://usda01.library.cornell.edu/usda/current/dairy-market/dairy-market-12-14-2012.pdf>

MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, OCTOBER 2012, WITH COMPARISONS

In October 2012, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$21.55 per cwt., up \$1.86 from the September 2012 corrected average, and up \$1.41 from the October 2011 average. The component tests of producer milk in October 2012 were: butterfat, 3.81%; protein, 3.17%; and other solids, 5.73%. On an individual reporting area basis, mailbox prices increased in all Federal milk order reporting areas from the previous month. Mailbox prices in October 2012 ranged from \$23.83 in Florida to \$19.39 in New Mexico.

| Reporting Area <u>1/</u> | Mailbox Milk Price <u>2/</u> | | |
|------------------------------------|------------------------------|----------------|--------------|
| | October 2011 | September 2012 | October 2012 |
| | Dollars per hundredweight | | |
| New England States <u>3/</u> | 21.26 | 20.57 | 22.42 |
| New York | 19.90 | 19.51 | 21.45 |
| Eastern Pennsylvania <u>4/</u> | 20.93 | 19.65 | 21.61 |
| Appalachian States <u>5/</u> | 21.80 | 20.03 | 21.74 |
| Southeast States <u>6/</u> | 22.65 | 20.63 | 22.22 |
| Southern Missouri <u>7/</u> | 20.63 | 19.08 | 20.70 |
| Florida | 24.39 | 22.39 | 23.83 |
| Western Pennsylvania <u>8/</u> | 20.99 | 19.82 | 21.83 |
| Ohio | 21.03 | 19.44 | 21.22 |
| Indiana | 20.59 | 18.87 | 20.44 |
| Michigan | 20.13 | 19.06 | 20.45 |
| Wisconsin | 20.13 | 20.48 | 22.77 |
| Minnesota | 20.08 | 20.86 | 22.96 |
| Iowa | 20.24 | 20.10 | 22.12 |
| Illinois | 20.75 | 20.29 | 22.38 |
| Corn Belt States <u>9/</u> | 19.82 | 19.19 | 21.24 |
| Western Texas <u>10/</u> | 18.64 | 19.84 * | 20.24 |
| New Mexico | 17.54 | 17.92 * | 19.39 |
| Northwest States <u>11/</u> | 19.66 | 19.17 | 21.18 |
| All Federal Order Areas <u>12/</u> | 20.14 | 19.69 * | 21.55 |
| California <u>13/</u> | 17.89 | 17.36 | 19.40 |

* Corrected

1/ Areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. 2/ Net pay prices received by dairy farmers for milk. Prices reflect all payments received for milk sold and all costs associated with marketing the milk. Prices are weighted averages of the prices reported for all orders receiving milk from the reporting area and are reported at the average butterfat tests. Prices do not include any Milk Income Loss Contract (MILC) payments, but do include, for the most part, the assessment under the Cooperatives Working Together (CWT) program. 3/ Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. 4/ Includes all counties to the east of those listed in 8/. 5/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 6/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 7/ Includes the counties Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry, and all those to the south of these. 8/ The counties of Warren, Elk, Clearfield, Indiana, Westmoreland, and Fayette, and all those counties to the west of these. 9/ Includes Kansas, Nebraska, and the Missouri counties to the north of those listed in 7/. 10/ Includes all counties to the west of Fanin, Hunt, Van Zandt, Henderson, Houston, Cherokee, Nacogdoches, and Shelby. 11/ Includes Oregon and Washington. 12/ Weighted average of prices for all selected reporting areas. California is simple average. 13/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

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**ANNOUNCED COOPERATIVE CLASS I PRICES FOR SELECTED CITIES IN FEDERAL MILK MARKETING ORDERS
2012 ANNUAL AVERAGES, WITH COMPARISONS ^{1/}**

For 2012, the all-city average announced cooperative Class I price was \$22.53 per cwt., \$2.45 higher than the Federal milk order Class I price average for these cities. The 2012 announced cooperative Class I price was \$1.76 per cwt lower than the 2011 price while the Federal Milk Order Class I price was \$1.69 per cwt lower. The 2012 difference was \$0.07 per cwt lower than the 2011 difference. Unlike 2011, the 2012 Annual Averages include the city of Wichita KS. On an individual city basis, the annual average difference between the Federal order and announced cooperative Class I price ranged from \$0.50 in Phoenix, AZ, to \$4.24 in Miami, FL.

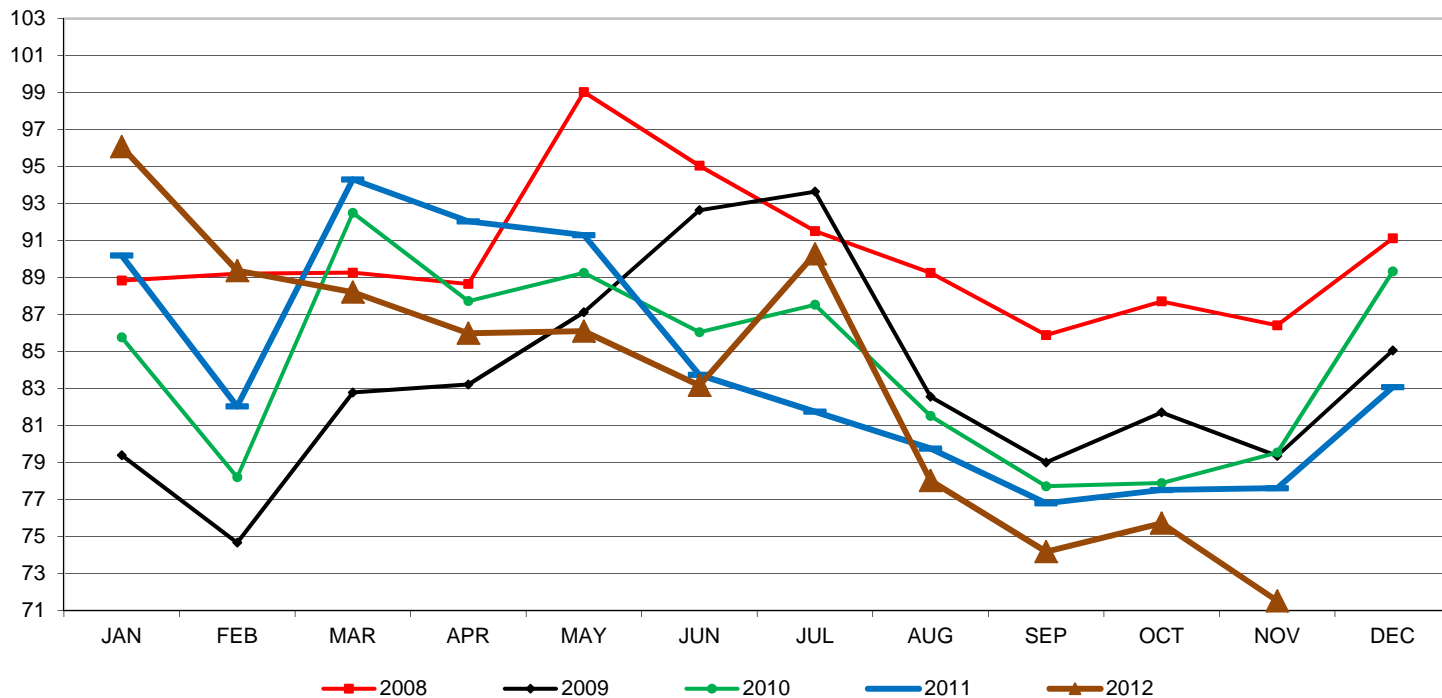
| City | 2012 Annual Averages | | |
|-------------------|---|----------------------------------|------------|
| | Announced Cooperative Class I Price | Federal Milk Order Class I Price | Difference |
| | Dollars per hundredweight, 3.5% butterfat | | |
| Atlanta, GA | 24.58 | 21.26 | 3.32 |
| Baltimore, MD | 22.13 | 20.46 | 1.67 |
| Boston, MA | 22.51 | 20.71 | 1.80 |
| Charlotte, NC | 24.26 | 20.86 | 3.40 |
| Chicago, IL | 22.83 | 19.26 | 3.57 |
| Cincinnati, OH | 22.59 | 19.66 | 2.93 |
| Cleveland, OH | 22.39 | 19.46 | 2.93 |
| Dallas, TX | 21.21 | 20.46 | 0.75 |
| Denver, CO | 21.40 | 20.01 | 1.39 |
| Des Moines, IA | 22.01 | 19.26 | 2.75 |
| Detroit, MI | 22.17 | 19.26 | 2.91 |
| Hartford, CT | 22.41 | 20.61 | 1.80 |
| Houston, TX | 22.46 | 21.06 | 1.40 |
| Indianapolis, IN | 22.39 | 19.46 | 2.93 |
| Kansas City, MO | 21.70 | 19.46 | 2.24 |
| Louisville, KY | 22.96 | 19.76 | 3.20 |
| Memphis, TN | 23.56 | 20.36 | 3.20 |
| Miami, FL | 27.70 | 23.46 | 4.24 |
| Milwaukee, WI | 22.78 | 19.21 | 3.57 |
| Minneapolis, MN | 21.66 | 19.16 | 2.50 |
| New Orleans, LA | 23.46 | 21.26 | 2.20 |
| Oklahoma City, OK | 22.20 | 20.06 | 2.14 |
| Omaha, NE | 21.76 | 19.31 | 2.45 |
| Philadelphia, PA | 23.60 | 20.51 | 3.09 |
| Phoenix, AZ | 20.31 | 19.81 | 0.50 |
| Pittsburgh, PA | 23.25 | 19.56 | 3.69 |
| St. Louis, MO | 21.89 | 19.46 | 2.43 |
| Seattle, WA | 20.16 | 19.36 | 0.80 |
| Springfield, MO | 22.50 | 19.86 | 2.64 |
| Washington, DC | 22.13 | 20.46 | 1.67 |
| Wichita, KS | 21.60 | 19.66 | 1.94 |
| Simple Average | 22.53 | 20.08 | 2.45 |

^{1/} These figures are simple averages of monthly prices. The cooperative prices are Class I prices announced for the beginning of the month by cooperative associations in various city markets. The information relates to the major cooperative in each of the city markets and does not apply to all of the Class I sales in these city markets. These data are common market knowledge in the sense that the information represents basic Class I price announcements by the cooperative sent to all handlers who buy milk from them. The announced over-order prices include charges for various service charges applicable to milk from supply plants. In some instances, the announced over-order prices may not include all credits that may be allowed. These prices have not been verified as having been actually paid by handlers.

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MILLION POUNDS

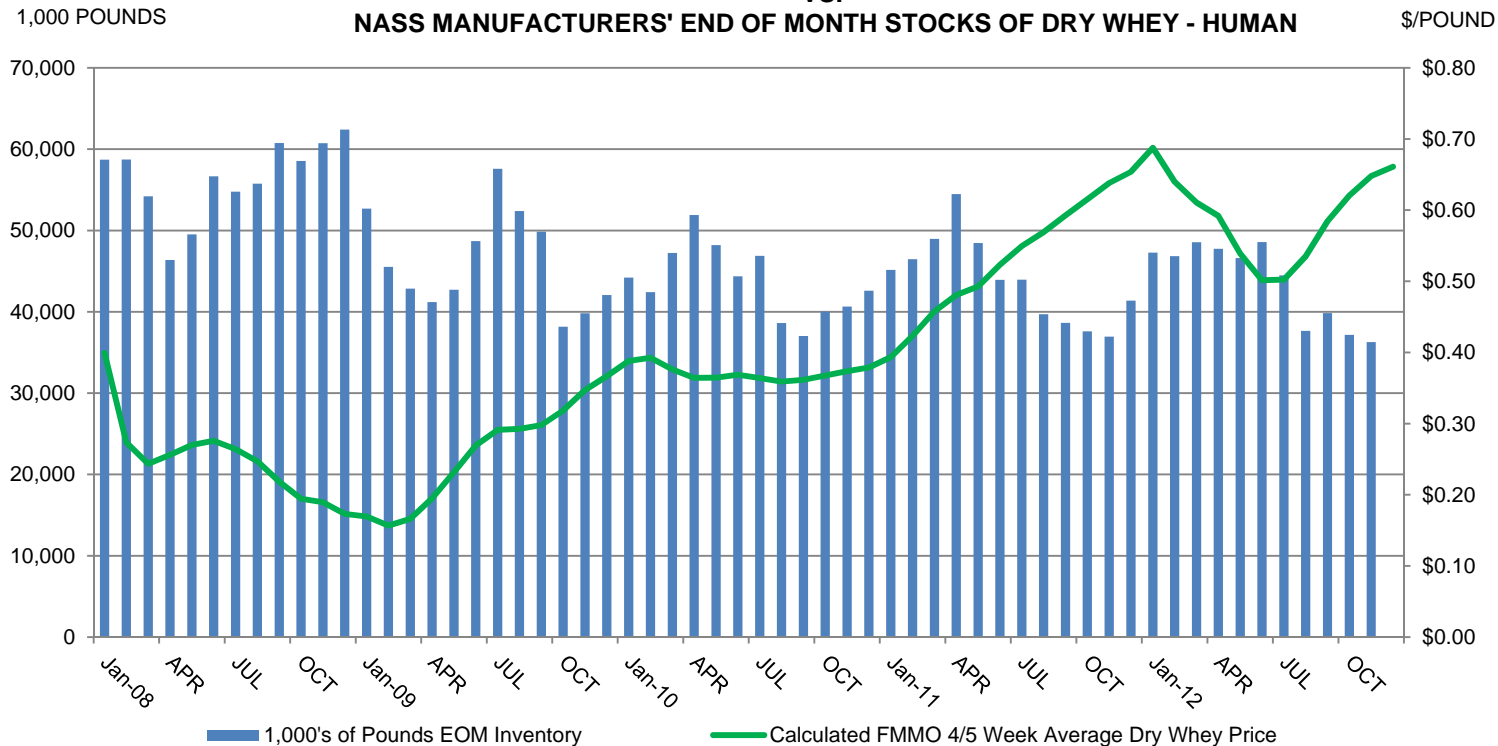
U.S. TOTAL DRY WHEY PRODUCTION



DATA SOURCE, USDA, NASS; GRAPH, USDA, AMS, DMN

4-5 WEEK AVERAGE DRY WHEY PRICES FROM FMMO CALCULATED MILK PRICE FORMULAS
VS.

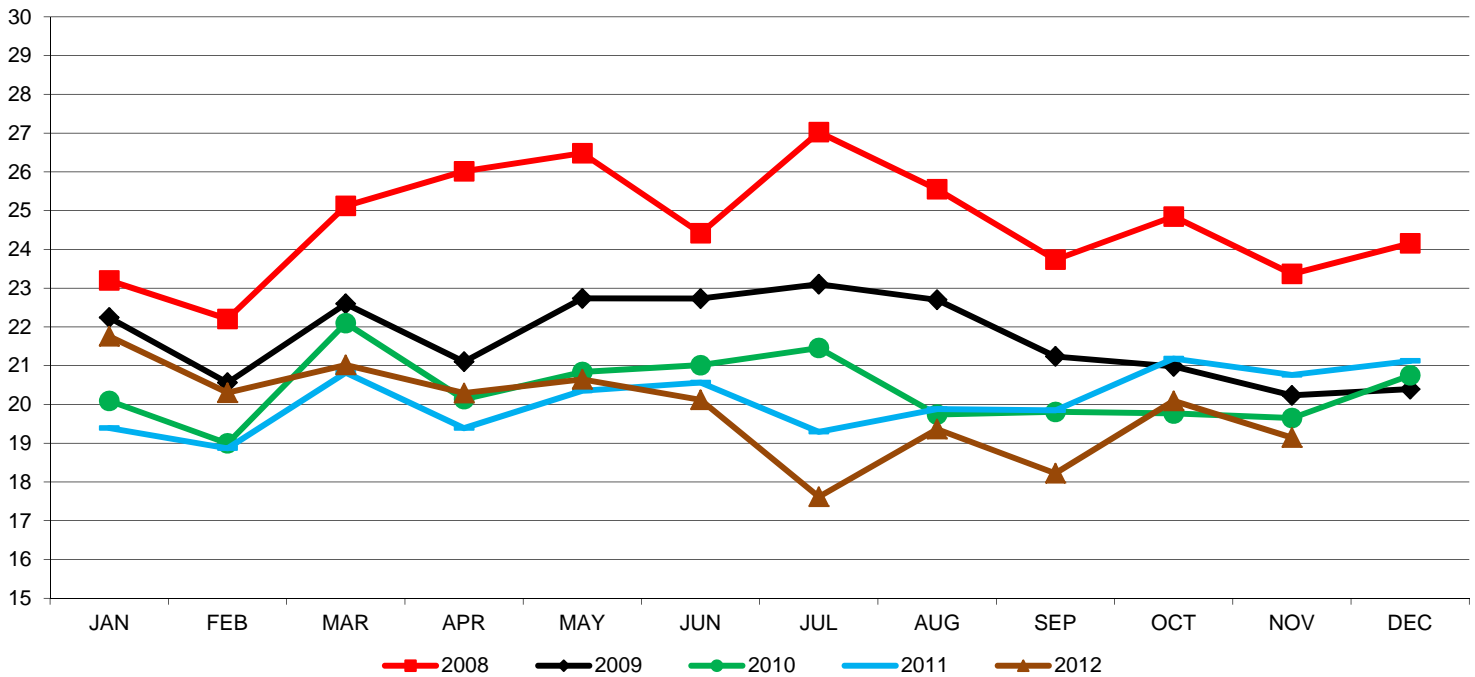
NASS MANUFACTURERS' END OF MONTH STOCKS OF DRY WHEY - HUMAN



DATA SOURCE, USDA, NASS & AMS, MIB; GRAPH, USDA, AMS, DMN

U.S. TOTAL DRY WPC PRODUCTION, HUMAN AND ANIMAL, 25.0 - 49.9% PROTEIN

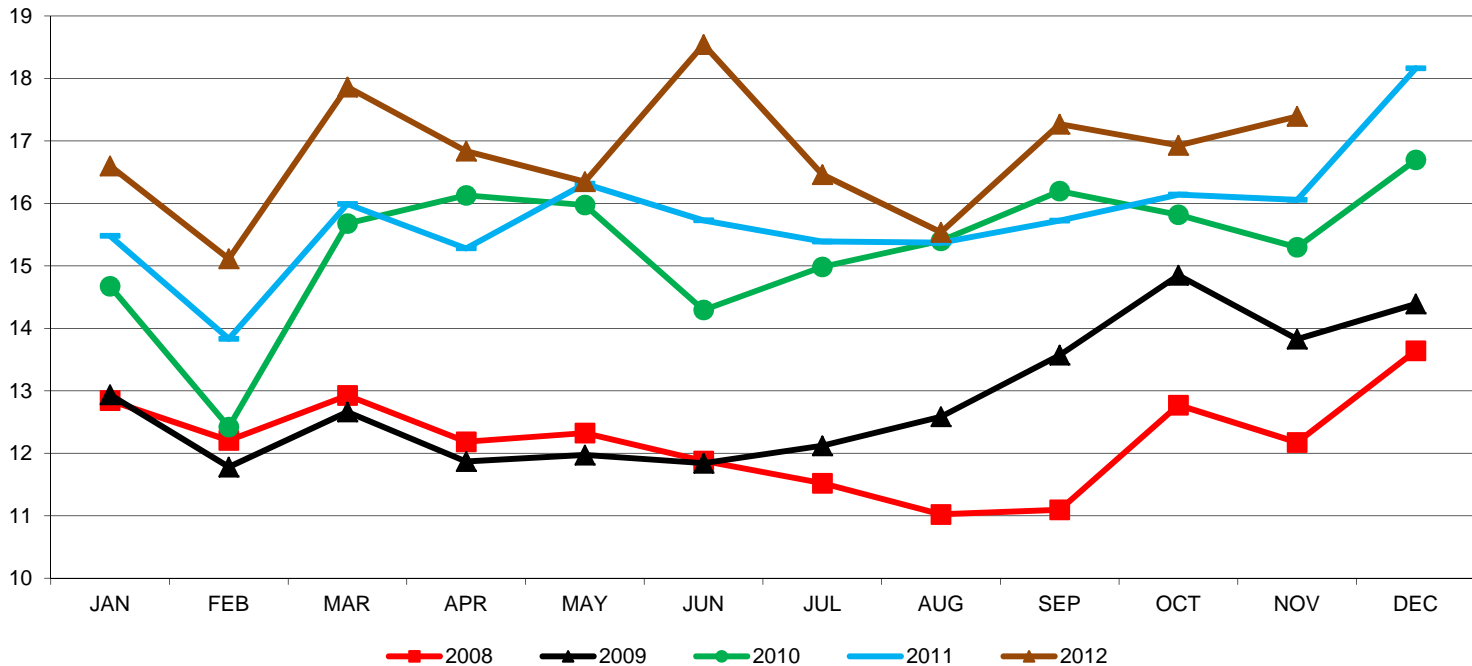
MILLION POUNDS



DATA SOURCE, USDA, NASS; GRAPH, USDA, AMS, DMN

U.S. TOTAL DRY WPC PRODUCTION, HUMAN AND ANIMAL, 50.0 - 89.9% PROTEIN

MILLION POUNDS



DATA SOURCE, USDA, NASS; GRAPH, USDA, AMS, DMN

DAIRY MARKET NEWS

GENERAL NUMBER
(608) 278-4200

VOLUME: 80

REPORT: 02

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Websites: <http://www.marketnews.usda.gov/portal/da> and <http://www.ams.usda.gov/mnreports/dybretail.pdf>

Volume 80- Number 2

Issued Biweekly

Thursday, January 10, 2013

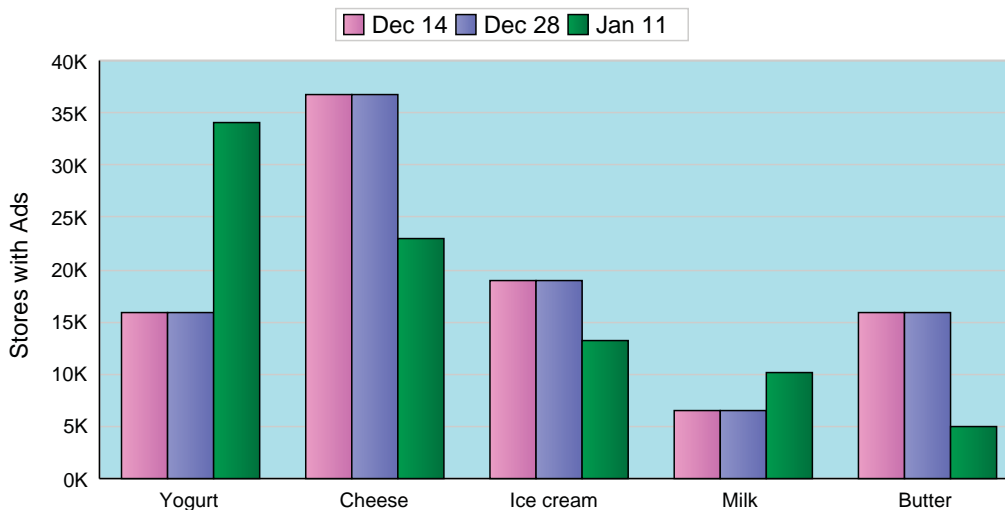
Advertised Prices for Dairy Products at Major Retail Supermarket Outlets 12/31 to 01/11

Yogurt ad numbers outpaced all other ads this period, being up 110.7%, with many yogurt ads containing a new year "healthy eating" message. The increase in yogurt ads contrasts with declines in ad numbers for butter (-70.7%), ice cream (-30.0%) and sour cream (-63.9%). Egg nog ads disappeared. Milk ads increased 122.7%, but remained number two to yogurt ad volume.

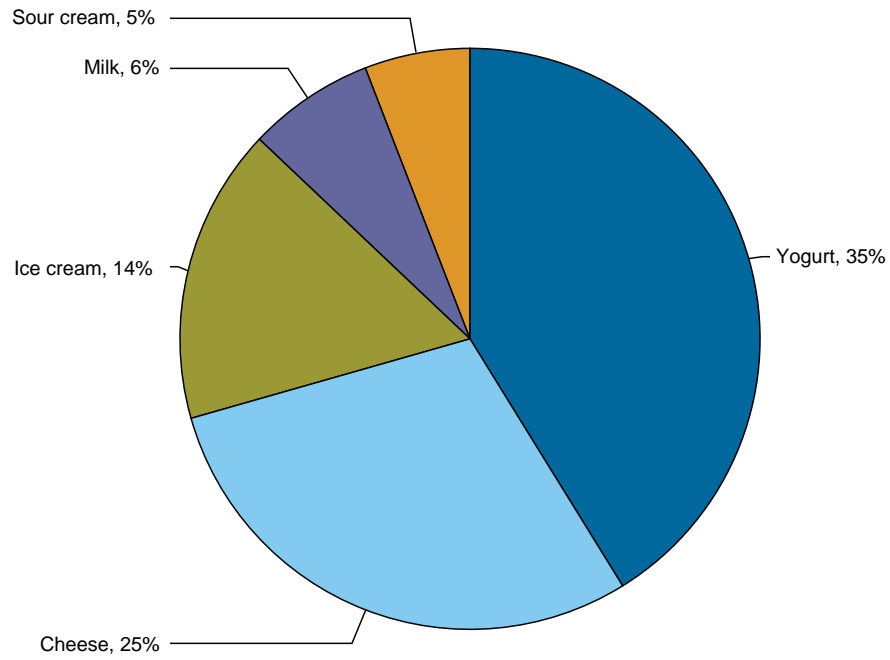
Cheese pricing at \$2.47 for 8 oz. shreds, the most featured cheese item, was a 15 cent increase over two weeks ago. Cheese in 8 oz. blocks averaged \$2.49, up 20 cents. Regular yogurt ad prices for 4-6 oz. packs decreased by 5 cents to \$0.49, while 4-6 oz. Greek yogurt decreased 1 cent to \$.99. The national 1 pound butter price increased 18 cents from 2 weeks ago to \$2.93. Ice cream in 48-64oz containers averaged \$3.06, down 9 cents.

The national weighted average advertised conventional milk price for half gallons this period, \$2.30, decreased 65 cents from two weeks ago. The Organic half gallon price averaged \$3.29, down 15 cents from two weeks ago. The resulting organic-conventional half-gallon spread is \$0.99, below the 2012 average, \$1.24.

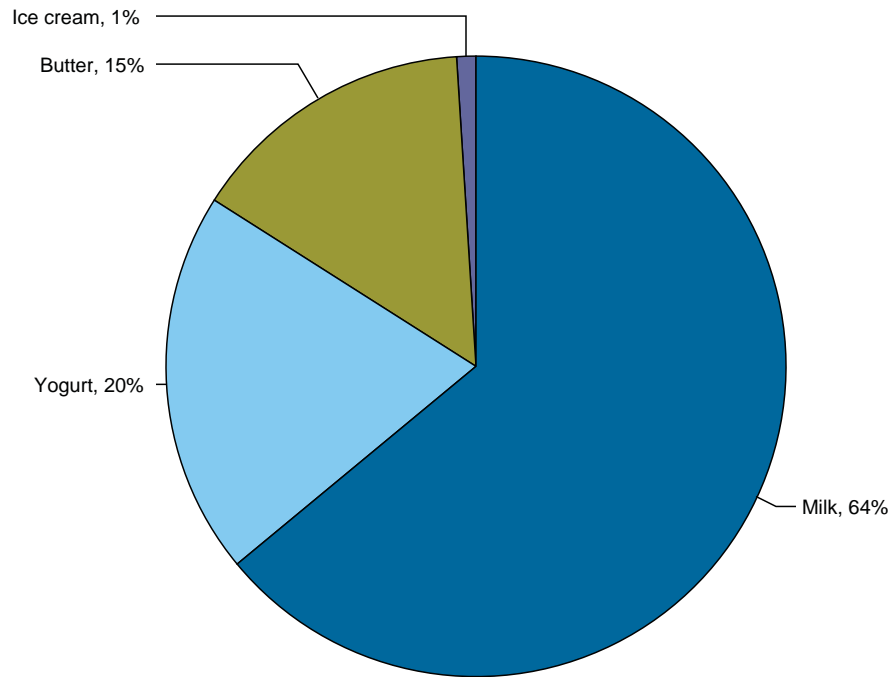
Top 5 Commodities Featured



Top 5 Percentage of Total Conventional Ads



Top 5 Percentage of Total Organic Ads





NATIONAL -- CONVENTIONAL DAIRY PRODUCTS

| Commodity | Type | Pack Size | THIS PERIOD | | TWO WEEKS AGO | |
|----------------|-------------------|-------------|-----------------|---------------|-----------------|---------------|
| | | | Stores With Ads | Wtd Avg Price | Stores With Ads | Wtd Avg Price |
| Butter | | 1 # | 3900 | 2.93 | 13332 | 2.75 |
| Cheese | Natural Varieties | 8 oz block | 6372 | 2.49 | 11640 | 2.29 |
| Cheese | Natural Varieties | 1 # block | 3139 | 4.00 | 3713 | 3.82 |
| Cheese | Natural Varieties | 2 # block | 3165 | 5.17 | 4016 | 5.93 |
| Cheese | Natural Varieties | 8 oz shred | 7869 | 2.47 | 16495 | 2.32 |
| Cheese | Natural Varieties | 1 # shred | 2352 | 3.32 | 492 | 4.78 |
| Cottage cheese | | 16 oz | 3417 | 1.96 | 971 | 2.37 |
| Cream cheese | | 8 oz | 4252 | 1.80 | 14038 | 1.49 |
| Egg nog | | quart | | | 2692 | 2.65 |
| Egg nog | | half gallon | | | 7822 | 3.39 |
| Flavored milk | All fat tests | half gallon | 712 | 2.25 | 520 | 2.00 |
| Flavored milk | All fat tests | gallon | 542 | 3.88 | 160 | 2.93 |
| Ice cream | | 48-64oz | 13090 | 3.06 | 18709 | 3.15 |
| Milk | All fat tests | half gallon | 1787 | 2.30 | 706 | 2.95 |
| Milk | All fat tests | gallon | 3789 | 3.02 | 1798 | 3.12 |
| Sour cream | | 16 oz | 4870 | 1.55 | 13472 | 1.54 |
| Yogurt | Greek | 4-6 oz | 17819 | .99 | 10025 | 1.00 |
| Yogurt | Greek | 32 oz | 202 | 3.99 | 639 | 3.10 |
| Yogurt | Yogurt | 4-6 oz | 12801 | .49 | 3794 | .54 |
| Yogurt | Yogurt | 32 oz | 1908 | 2.52 | 1078 | 2.07 |

REGIONAL -- CONVENTIONAL DAIRY PRODUCTS

| Commodity | Type | Pack Size | NORTHEAST U.S. | | | SOUTHEAST U.S. | | | MIDWEST U.S. | | |
|----------------|-------------------|-------------|----------------|-----------------|---------------|----------------|-----------------|---------------|--------------|-----------------|---------------|
| | | | Price Range | Stores with Ads | Wtd Avg Price | Price Range | Stores with Ads | Wtd Avg Price | Price Range | Stores with Ads | Wtd Avg Price |
| Butter | | 1 # | 2.99-3.99 | 1871 | 3.36 | 1.99-3.25 | 1391 | 2.54 | 1.98-3.00 | 388 | 2.55 |
| Cheese | Natural Varieties | 8 oz block | 1.77-3.00 | 3153 | 2.49 | 1.66-3.00 | 1137 | 2.55 | 1.66-2.99 | 889 | 2.22 |
| Cheese | Natural Varieties | 1 # block | 3.29-5.00 | 2009 | 3.89 | 3.99 | 105 | 3.99 | 2.99-3.98 | 305 | 3.69 |
| Cheese | Natural Varieties | 2 # block | 8.99 | 68 | 8.99 | 5.00 | 103 | 5.00 | | | |
| Cheese | Natural Varieties | 8 oz shred | 1.50-3.00 | 3435 | 2.58 | 1.66-3.99 | 2130 | 2.25 | 1.66-2.99 | 871 | 2.31 |
| Cheese | Natural Varieties | 1 # shred | | | | 2.99-3.33 | 432 | 3.09 | 2.99-3.98 | 757 | 3.22 |
| Cottage cheese | | 16 oz | 1.40-2.50 | 2233 | 2.16 | 2.00 | 125 | 2.00 | 1.49-1.98 | 88 | 1.84 |
| Cream cheese | | 8 oz | 0.99-2.69 | 2053 | 1.96 | 1.50-1.99 | 1578 | 1.58 | 1.49-2.00 | 501 | 1.75 |
| Flavored milk | All fat tests | half gallon | 2.50-2.99 | 333 | 2.85 | 1.99 | 126 | 1.99 | 1.49-1.99 | 253 | 1.60 |
| Flavored milk | All fat tests | gallon | 3.99 | 484 | 3.99 | | | | 2.99 | 58 | 2.99 |
| Ice cream | | 48-64oz | 1.88-3.99 | 3540 | 3.01 | 1.99-3.50 | 2945 | 2.72 | 1.99-4.99 | 2362 | 3.14 |
| Milk | All fat tests | half gallon | 1.99-2.99 | 1098 | 2.86 | 1.66-1.99 | 160 | 1.92 | 1.33-1.66 | 212 | 1.45 |
| Milk | All fat tests | gallon | 3.99 | 494 | 3.99 | 3.99 | 103 | 3.99 | 1.99-2.99 | 404 | 2.57 |
| Sour cream | | 16 oz | 0.99-2.19 | 1717 | 1.62 | 1.47-2.00 | 1561 | 1.50 | 0.98-1.66 | 373 | 1.33 |
| Yogurt | Greek | 4-6 oz | 0.89-1.25 | 3411 | 1.02 | 0.80-1.00 | 4280 | .98 | 0.89-1.25 | 1724 | 1.00 |
| Yogurt | Yogurt | 4-6 oz | 0.30-0.60 | 3904 | .48 | 0.44-0.60 | 2321 | .51 | 0.29-0.55 | 1526 | .48 |

Wtd Avg - Simple weighted average



| Commodity | Type | Pack Size | NORTHEAST U.S. | | | SOUTHEAST U.S. | | | MIDWEST U.S. | | |
|-----------|--------|-----------|----------------|-----------------|---------------|----------------|-----------------|---------------|--------------|-----------------|---------------|
| | | | Price Range | Stores with Ads | Wtd Avg Price | Price Range | Stores with Ads | Wtd Avg Price | Price Range | Stores with Ads | Wtd Avg Price |
| Yogurt | Yogurt | 32 oz | 1.99-2.59 | 640 | 2.10 | 2.49 | 105 | 2.49 | 2.00-3.00 | 444 | 2.63 |

| Commodity | Type | Pack Size | SOUTH CENTRAL U.S. | | | SOUTHWEST U.S. | | | NORTHWEST U.S. | | |
|----------------|-------------------|-------------|--------------------|-----------------|---------------|----------------|-----------------|---------------|----------------|-----------------|---------------|
| | | | Price Range | Stores with Ads | Wtd Avg Price | Price Range | Stores with Ads | Wtd Avg Price | Price Range | Stores with Ads | Wtd Avg Price |
| Butter | | 1 # | 2.50 | 32 | 2.50 | 2.50 | 218 | 2.50 | | | |
| Cheese | Natural Varieties | 8 oz block | 1.79-3.00 | 391 | 2.09 | 1.89-3.49 | 600 | 2.80 | 2.99 | 202 | 2.99 |
| Cheese | Natural Varieties | 1 # block | 2.99 | 85 | 2.99 | 3.29-3.49 | 94 | 3.43 | 2.99-5.00 | 541 | 4.83 |
| Cheese | Natural Varieties | 2 # block | 5.00-6.99 | 748 | 5.08 | 5.00-5.99 | 1538 | 5.14 | 5.00 | 708 | 5.00 |
| Cheese | Natural Varieties | 8 oz shred | 1.99-2.50 | 343 | 2.22 | 2.00-3.49 | 859 | 2.62 | 2.99-4.49 | 231 | 3.18 |
| Cheese | Natural Varieties | 1 # shred | 1.99-3.34 | 222 | 2.81 | 2.99-4.99 | 788 | 3.67 | 2.99-4.88 | 153 | 3.42 |
| Cottage cheese | | 16 oz | 1.39-2.50 | 263 | 1.59 | 1.25-1.50 | 673 | 1.46 | 1.99 | 35 | 1.99 |
| Cream cheese | | 8 oz | | | | 1.79 | 34 | 1.79 | 1.79-2.50 | 86 | 2.09 |
| Ice cream | | 48-64oz | 1.50-5.00 | 1112 | 3.23 | 2.49-3.99 | 2102 | 3.28 | 2.50-3.99 | 1029 | 3.36 |
| Milk | All fat tests | half gallon | | | | 0.88 | 119 | .88 | 0.99-1.67 | 198 | 1.26 |
| Milk | All fat tests | gallon | 2.19-2.99 | 622 | 2.44 | 1.67-3.45 | 1549 | 3.14 | 2.59-3.49 | 617 | 2.67 |
| Sour cream | | 16 oz | 1.18-1.69 | 317 | 1.46 | 1.25-2.50 | 665 | 1.54 | 1.79-1.99 | 237 | 1.82 |
| Yogurt | Greek | 4-6 oz | 1.00 | 1752 | 1.00 | 0.50-1.50 | 4782 | .98 | 0.80-1.19 | 1870 | 1.00 |
| Yogurt | Greek | 32 oz | | | | | | | 3.99 | 202 | 3.99 |
| Yogurt | Yogurt | 4-6 oz | 0.29-0.50 | 1336 | .49 | 0.40-0.50 | 2720 | .50 | 0.39-0.50 | 994 | .48 |
| Yogurt | Yogurt | 32 oz | 2.29-2.50 | 82 | 2.42 | 1.99-3.29 | 637 | 2.90 | | | |

NATIONAL -- ORGANIC DAIRY PRODUCTS

| Commodity | Type | Pack Size | THIS PERIOD | | TWO WEEKS AGO | |
|-----------|-------------------|-------------|-----------------|---------------|-----------------|---------------|
| | | | Stores With Ads | Wtd Avg Price | Stores With Ads | Wtd Avg Price |
| Butter | | 1 # | 1100 | 4.07 | 2504 | 4.01 |
| Cheese | Natural Varieties | 8 oz block | | | 173 | 4.99 |
| Cheese | Natural Varieties | 8 oz shred | | | 235 | 3.49 |
| Egg nog | | quart | | | 914 | 3.88 |
| Egg nog | | half gallon | | | 80 | 3.99 |
| Ice cream | | 48-64oz | 100 | 6.89 | 174 | 5.31 |
| Milk | All fat tests | half gallon | 3417 | 3.29 | 2817 | 3.44 |
| Milk | All fat tests | gallon | 342 | 5.68 | 520 | 5.62 |
| Milk | All fat tests | 8 oz UHT | 881 | .91 | 694 | 1.00 |
| Yogurt | Greek | 4-6 oz | 1180 | 1.09 | 56 | 1.27 |
| Yogurt | Yogurt | 32 oz | 235 | 2.99 | 300 | 3.47 |

REGIONAL -- ORGANIC DAIRY PRODUCTS



| Commodity | Type | Pack Size | NORTHEAST U.S. | | | SOUTHEAST U.S. | | | MIDWEST U.S. | | |
|-----------|---------------|-------------|----------------|-----------------|---------------|----------------|-----------------|---------------|--------------|-----------------|---------------|
| | | | Price Range | Stores with Ads | Wtd Avg Price | Price Range | Stores with Ads | Wtd Avg Price | Price Range | Stores with Ads | Wtd Avg Price |
| Butter | | 1 # | 4.29 | 235 | 4.29 | 3.99 | 398 | 3.99 | 3.99 | 424 | 3.99 |
| Milk | All fat tests | half gallon | 3.29-3.99 | 265 | 3.59 | 2.99-3.99 | 562 | 3.22 | 2.69-2.99 | 573 | 2.97 |
| Milk | All fat tests | gallon | 5.99 | 235 | 5.99 | 4.99 | 107 | 4.99 | | | |
| Milk | All fat tests | 8 oz UHT | 0.83 | 487 | .83 | 1.00 | 195 | 1.00 | 1.00 | 34 | 1.00 |
| Yogurt | Greek | 4-6 oz | | | | 1.00 | 558 | 1.00 | 1.00 | 244 | 1.00 |
| Yogurt | Yogurt | 32 oz | 2.99 | 235 | 2.99 | | | | | | |

| Commodity | Type | Pack Size | SOUTH CENTRAL U.S. | | | SOUTHWEST U.S. | | | NORTHWEST U.S. | | |
|-----------|---------------|-------------|--------------------|-----------------|---------------|----------------|-----------------|---------------|----------------|-----------------|---------------|
| | | | Price Range | Stores with Ads | Wtd Avg Price | Price Range | Stores with Ads | Wtd Avg Price | Price Range | Stores with Ads | Wtd Avg Price |
| Butter | | 1 # | 4.49 | 43 | 4.49 | | | | | | |
| Ice cream | | 48-64oz | 6.89 | 100 | 6.89 | | | | | | |
| Milk | All fat tests | half gallon | 2.59-4.99 | 941 | 3.49 | 2.69-3.50 | 878 | 3.32 | 2.99 | 198 | 2.99 |
| Milk | All fat tests | 8 oz UHT | 1.00 | 165 | 1.00 | | | | | | |
| Yogurt | Greek | 4-6 oz | | | | 1.25-1.50 | 260 | 1.39 | 1.00 | 118 | 1.00 |

NATIONAL -- CONVENTIONAL DAIRY PRODUCTS

NATIONAL BRANDS vs STORE BRANDS

| | | | NATIONAL BRANDS | | | | STORE BRANDS | | | |
|----------------|-------------------|-------------|-----------------|------------|-----------------|---------------|--------------|------------|-----------------|---------------|
| Commodity | Type | Pack Size | Low Price | High Price | Stores with Ads | Wtd Avg Price | Low Price | High Price | Stores with Ads | Wtd Avg Price |
| Butter | | 1 # | 1.99 | 3.99 | 1890 | 3.34 | 1.98 | 3.25 | 2010 | 2.55 |
| Cheese | Natural Varieties | 8 oz block | 1.99 | 3.49 | 4656 | 2.65 | 1.66 | 2.50 | 1716 | 2.03 |
| Cheese | Natural Varieties | 1 # block | 3.29 | 5.00 | 1341 | 3.90 | 2.99 | 5.00 | 1798 | 4.06 |
| Cheese | Natural Varieties | 2 # block | 8.99 | 8.99 | 68 | 8.99 | 5.00 | 6.99 | 3097 | 5.09 |
| Cheese | Natural Varieties | 8 oz shred | 1.99 | 4.49 | 4756 | 2.73 | 1.50 | 2.50 | 3113 | 2.07 |
| Cheese | Natural Varieties | 1 # shred | 3.98 | 4.99 | 318 | 4.49 | 1.99 | 3.79 | 2034 | 3.14 |
| Cottage cheese | | 16 oz | 1.40 | 2.50 | 2219 | 2.18 | 1.25 | 2.50 | 1198 | 1.55 |
| Cream cheese | | 8 oz | 1.49 | 2.69 | 2132 | 2.02 | .99 | 2.00 | 2120 | 1.58 |
| Flavored milk | All fat tests | half gallon | 1.49 | 1.99 | 183 | 1.57 | 1.69 | 2.99 | 529 | 2.49 |
| Flavored milk | All fat tests | gallon | | | | | 2.99 | 3.99 | 542 | 3.88 |
| Ice cream | | 48-64oz | 1.99 | 5.00 | 7924 | 3.26 | 1.50 | 4.99 | 5166 | 2.75 |
| Milk | All fat tests | half gallon | 1.49 | 2.99 | 846 | 2.65 | .88 | 2.99 | 941 | 1.98 |
| Milk | All fat tests | gallon | 3.99 | 3.99 | 494 | 3.99 | 1.67 | 3.99 | 3295 | 2.88 |
| Sour cream | | 16 oz | 1.34 | 2.50 | 1216 | 1.74 | .98 | 2.19 | 3654 | 1.48 |
| Yogurt | Greek | 4-6 oz | .50 | 1.50 | 15503 | 1.01 | .79 | 1.25 | 2316 | .90 |
| Yogurt | Greek | 32 oz | 3.99 | 3.99 | 202 | 3.99 | | | | |
| Yogurt | Yogurt | 4-6 oz | .30 | .60 | 11687 | .50 | .29 | .50 | 1114 | .42 |
| Yogurt | Yogurt | 32 oz | 2.00 | 2.59 | 215 | 2.44 | 1.99 | 3.29 | 1693 | 2.53 |

Wtd Avg - Simple weighted average

NATIONAL -- ORGANIC DAIRY PRODUCTS

NATIONAL BRANDS vs STORE BRANDS

| | | | NATIONAL BRANDS | | | | STORE BRANDS | | | |
|-----------|---------------|-------------|-----------------|------------|-----------------|---------------|--------------|------------|-----------------|---------------|
| Commodity | Type | Pack Size | Low Price | High Price | Stores with Ads | Wtd Avg Price | Low Price | High Price | Stores with Ads | Wtd Avg Price |
| Butter | | 1 # | 4.29 | 4.29 | 235 | 4.29 | 3.99 | 4.49 | 865 | 4.01 |
| Ice cream | | 48-64oz | 6.89 | 6.89 | 100 | 6.89 | | | | |
| Milk | All fat tests | half gallon | 3.29 | 4.99 | 801 | 3.92 | 2.59 | 3.99 | 2616 | 3.10 |
| Milk | All fat tests | gallon | 5.99 | 5.99 | 235 | 5.99 | 4.99 | 4.99 | 107 | 4.99 |
| Milk | All fat tests | 8 oz UHT | .83 | 1.00 | 881 | .91 | | | | |
| Yogurt | Greek | 4-6 oz | 1.00 | 1.50 | 455 | 1.22 | 1.00 | 1.00 | 725 | 1.00 |
| Yogurt | Yogurt | 32 oz | 2.99 | 2.99 | 235 | 2.99 | | | | |

REGIONAL DEFINITIONS

As used in this report, regions include the following states:

| | |
|--------------------|--|
| NORTHEAST U.S. | Connecticut, Delaware, Massachusetts, Maryland, Maine, New Hampshire, New jersey, New York, Pennsylvania, Rhode Island and Vermont |
| SOUTHEAST U.S. | Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia |
| MIDWEST U.S. | Iowa, Illinois, Indiana, Kentucky, Michigan, Minnesota, North Dakota, Nebraska, Ohio, South Dakota and Wisconsin |
| SOUTH CENTRAL U.S. | Arkansas, Colorado, Kansas, Louisiana, Missouri, New Mexico, Oklahoma, and Texas |
| SOUTHWEST U.S. | Arizona, California, Nevada and Utah |
| NORTHWEST U.S. | Idaho, Montana, Oregon, Washington, and Wyoming |
| NATIONAL | Continental United States |